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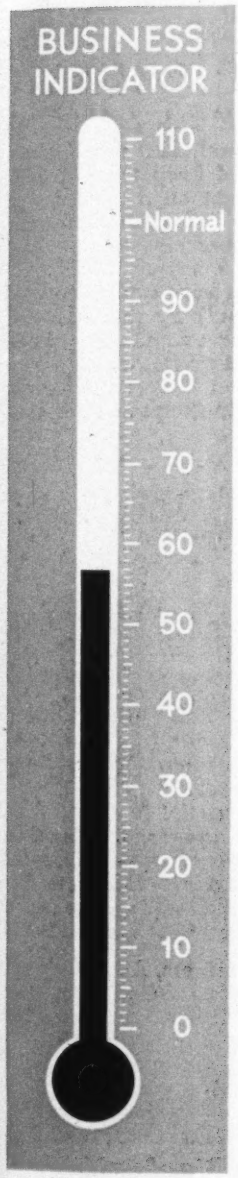
JUNE 15, 1932

THE BUSINESS WEEK



The critical and highly political month of June starts with most business indicators slowly sagging a bit early into the usual slackness of the summer season . . . . The only conspicuous exception is the strengthening of building contracts and collateral structural steel awards, supported principally by public building, which apparently has not yet been completely abolished by public opposition and the prevailing economy complex . . . . Commodity prices continue to weaken as credit expansion is delayed and the international scramble for gold grows more intense . . . . Response of security markets to promises of private banking pool support was sharp but short-lived . . . . Congressional uncertainties and anxiety about European developments still overshadow business and financial sentiment, but one by one the alibis are being overtaken by events, and we are being brought face to face with the fundamental issues of recovery which now lie in the field of monetary policy and must be met by international action . . . . For these reasons recent gestures toward an international economic conference following Lausanne may finally prove to be the most hopeful development of this period of perplexity and disappointment over the policies so far followed . . . . For the moment the most encouraging feature of the immediate situation is the slow strengthening of the banking position, with accumulating evidence that the more destructive aspects of credit deflation are temporarily under control and powerful forces toward expansion are beginning to operate.

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McGRAW-HILL PUBLISHING CO., INC.

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Sales Climb Steadily

for Neighborhood Merchant

MORE SALES per customer, from more customers, are increasing Mr. Schwartz's business every day. He has had to enlarge his store to accommodate greater patronage. Part of his store is shown at the right.

ASKING FOR BUSINESS, and getting it, in a highly competitive community market, are made possible by Mr. Schwartz's low-cost Multigraph and Addressograph, shown above.

Herbert F. Schwartz

TWO MORE VICTORIES for the profit-producing abilities of Addressograph and Multigraph equipment, in the battle against increased buying resistance and lowered sales volume! Mr. Herbert F. Schwartz, proprietor of the Schwartz Drug Store, Pittsburgh, Pa., writes this interesting account of his *sales-building* record during the *past six months:*

"Competition is keen in my neighborhood. Last year I found I had to get more new customers, and keep the old ones, if I wanted to make money. I bought an Addressograph and Multigraph, using them to print and address mailing cards, quoting attractive prices and bargains to customers and prospects in my community. The result is that my business today is over 30% greater than a year ago. This enviable record has been made possible only by the Addressograph-Multigraph system of producing and mailing timely advertising at such extremely low-cost. I am now enlarging my store in anticipation of a *greater* business increase. Addressograph and Multigraph certainly bring in the profits for me."

and National Merchandiser

CORDUROY TIRES are seen on the highways of the nation. At the right, a train of tires is being loaded at the Corduroy factory for national distribution, secured through Addressographed and Multigraphed advertising.

DIRECT MAIL has played a very important part in Corduroy progress during the past twelve years, especially during 1931-32.

APPROXIMATELY 85% of Corduroy Rubber Company business is conducted by mail and Direct Mail solicitation. During all the years of their business they have used Addressograph equipment, shown above. They find it very efficient and economical. It personalizes letters, addresses cards and envelopes, heads statements, etc., 10 to 50 times faster than other methods.

SAVING 40% and more on advertising material produced by Multigraph, enables Corduroy to conduct intensive large-scale, *successful* selling campaigns.

L. B. McCourt

MR. L. B. McCOURT, Director of Sales, Corduroy Rubber Company, Grand Rapids, Mich., describes the important part Multigraph and Addressograph have played in the recent progress of the company:

"Last year, we added 25% more new accounts than in any previous year. During the past six months, our business has shown a *substantial increase* over the same period a year ago. This means *more* tires and tubes sold—*more* orders—*greater* dollars and cents volume—all the result of Multigraphed and Addressographed direct mail selling. We expect *an even more* satisfactory record by the end of 1932."

In every kind and size of business, Addressograph and Multigraph are *cutting costs* and *building sales.* There are models to meet *your* needs, at prices and terms you can easily afford. Ask for proof, without obligation, that *you* can increase profits *now!*

Addressograph Company · Multigraph Company
Divisions of ADDRESSOGRAPH-MULTIGRAPH CORP., Cleveland, O.
Sales Agents in Principal Cities of the World

FREE . . . this new book just off the press!

Write for "Experience", a collection of business stories giving details on how you can increase *your* sales and profit volume.

Addressograph ™ **Multigraph** ™

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HENRY FORD ON SELF-HELP

MY VIEWS of how people can best be helped are not new. The present period has only brought them into intensive application. Nearly twenty years ago when we established our minimum wage, which is now six dollars a day, we had the other side of the problem.

It was then a problem of sudden prosperity. We tried to teach our employes how to handle their resources to the best advantage and how to evade the parasites which wait on every hand for the workers' wages. There was no criticism of our methods then; in fact, they were commended. They are the same methods now, with such improvements as experience has suggested.

I said in the first of this series that being out of some one's employ need not mean being out of work. In the last analysis independence means self-dependence. Dependence on some one else for employment in busy times may too easily become dependence on some one else for support in slack times.

If it is right and proper to help people to become wise managers of their own affairs in good times, it cannot be wrong to pursue the same object in dull times. Independence through self-dependence is a method which must commend itself when understood.

Methods of self-help are numerous and great numbers of people have made the stimulating discovery that they need not depend on employers to find work for them—they can find work for themselves. I have more definitely in mind those who have not yet made that discovery, and I should like to express certain convictions I have tested.

The land! That is where our roots are. There is the basis of our physical life. The farther we get away from the land, the greater our insecurity. From the land comes everything that supports life, everything we use for the service of physical life. The land has not collapsed or shrunk in either extent or productivity. It is there waiting to honor all the labor we are willing to invest in it, and able to tide us across any dislocation of economic conditions.

MANY people have found ways to self-help. Others have yet to learn how. The one wide-open, practical, certain unemployment insurance is the land. A family with its food assured is a family that can face the world. Both employed and unemployed men should invest their labor in the land this season. Hoarded labor is as harmful to the nation as hoarded cash. The family garden helps everybody and hurts none. It even helps the farmer by lifting the burden of public welfare taxes. Let every man and every family cultivate a plot of land this year, first for their own benefit, next for the benefit of trade, and for the benefit of the nation in general.

No unemployment insurance can be compared to an alliance between a man and a plot of land. With one foot in industry and another foot in the land, human society is firmly balanced against most economic uncertainties. With a job to supply him with cash, and a plot of land to guarantee him support, the individual is doubly secure. Stocks may fail, but seedtime and harvest do not fail.

I am not speaking of stop-gaps or temporary expedients. Let every man and every family at this season of the year cultivate a plot of land and raise a sufficient supply for themselves or others. Every city and village has vacant space whose use would be permitted. Groups of men could rent farms for small sums and operate them on the co-operative plan. Employed men, in groups of ten, twenty or fifty, could rent farms and operate them with several unemployed families. Or, they could engage a farmer with his farm to be their farmer this year, either as employe or on shares. There are farmers who would be glad to give a decent indigent family a corner of a field on which to live and provide against next winter. Industrial concerns everywhere would gladly make it possible for their men, employed and unemployed, to find and work the land. Public-spirited citizens and institutions would most willingly assist in these efforts at self-help.

I do not urge this solely or primarily on the ground of need. It is a definite step to the restoration of normal business activity. Families who adopt self-help have that amount of free money to use in the channels of trade. That in turn means a flow of goods, an increase in employment, a general benefit.

When I suggested this last year and enabled our own people to make the experiment, the critics said that it would mean competition with the farmer. If that were true it would constitute a serious defect in the plan. My interest in the success and prosperity of the farmer is attested by my whole business career. The farmer is carrying in the form of heavy taxes the burden of families who cannot afford to buy his produce. Enabling them to raise their own food would not be taking a customer away from the farmer, but would be actually lifting a family off the tax-payer's back. It is argued that farm products are so cheap that it is better to buy than to grow them. This would be impressive if every one had money to spend. Farm products are cheap because purchasing power is low. And the farmer paying taxes helps to pay the difference. The course I suggest is not competition with the farmer; it deprives him of no customer; it does not affect the big market crops. Gardens never hurt the farmer. Partnerships between groups of city men and individual farmers certainly help the farmer. When a family lifts itself off the welfare lists or increases its free cash by raising its food, it actually helps the farmer as it does every one else, including itself. In fact, it is fundamental that *no one is hurt by self-help.* In the relief of tax burdens and the revival of industry the farmer would share the benefit.

I do not wish to be too detailed in this suggestion. I know what we shall do in our own part of the country and with our own people. How this method is to be suited to conditions in all parts of the country must be determined. I am urging Branch Managers of the Ford Motor Company and Ford dealers everywhere to study this suggestion and find the best method of applying it to their communities.

It is not a question of selling land, or of rents. Those who have the land must offer it to those who will use it. We ourselves shall farm large tracts of land, not for profit, but in experimental search for new market outlets for the farmer. We are saying to our people: "Here is the land. How much can you use?" For several years we have been running large crops of everything from sunflowers to soy beans through our chemical laboratory, in an effort to find an annual market for the farmer's produce —but that is a story I shall have to postpone until the next issue of this publication. I mention it now to show that even in these larger operations we are not entering into competition with the farmer. Our hope for agriculture is to make it the partner of industry.

Prepared and paid for by the Ford Motor Company as a contribution to public welfare.

THE past two years have shown the necessity for more economical distribution of merchandise. Manufacturers are studying their markets more thoroughly than at any time in the past decade.

In New York State, there are 22 Marine Midland Banks. Their information concerning this, America's Richest Market, is very complete.

It is available to Marine Midland customers.

MARINE MIDLAND BANKS

COMBINED RESOURCES OVER $500,000,000

There are Marine Midland Banks in these New York State cities:

NEW YORK CITY
BINGHAMTON
JOHNSON CITY
ENDICOTT
CORTLAND
TROY
NIAGARA FALLS
BUFFALO
OSWEGO
MALONE
ALBION
SNYDER
EAST AURORA
WATERTOWN
MEDINA
ROCHESTER
BATAVIA
LACKAWANNA
TONAWANDA
NO. TONAWANDA
LOCKPORT
JAMESTOWN

This Business Week:

Washington

Taxes having been decided upon, economy and relief occupy the Congress, now working against time with an eye on the conventions and an ear to the ground. Relief went Hoover-Wagner while the House cooked "pork." *(p. 5)*

The tax act, whatever its faults, at least concludes the horrible uncertainty. Half the revenue comes from special excises which business will find difficult to pass on. *(p. 6)*

Foreign

No international conference can ignore debts and tariffs, but gold will be the principal subject at the meeting of the powers which may be called some time between Lausanne and Ottawa. *(p. 7)*

American business, with increased appreciation of Russian orders, is going to write its own report on Russia. Prominent business men will leave soon to see for themselves how the Soviets are getting on. *(p. 9)*

Chile for the Chileans is the natural answer to foreign exploitation, the real explanation of Chile's swing to Socialism. *(p. 20)*

With Bruening gone, there's little hope that Germany will meet its foreign obligations. *(p. 21)*

Cables tell of tense waiting for Lausanne; increasing apprehension over Germany. *(Survey, p. 28)*

Finance

Morgan starts a "Buy Now" campaign in the bond market. *(p. 34)*

Senator Glass believes that if it's inflation that's wanted, it should be done right. His measure is for emergency use only—has no effect on today's financial picture. *(p. 8)*

A plan to use the R.F.C. for a rescue squad in railroad refinancing depends upon I.C.C. influence to set bond prices. *(p. 6)*

Receivership for the largest coal company epitomizes the plight of the whole bituminous industry; too much capital, too little profit-potential with declining prices and consumption. *(p. 15)*

Oil

Failure of the informal world oil conference brings out the growing importance of the Soviets in world affairs, points to loose control by Americans and British of their own industries. *(p. 10)*

Oil companies expect a decline in consumption this summer. Cheap as it is, gasoline costs money; motorists will take fewer and shorter trips. *(p. 9)* Gasoline selling, incidentally, has developed practices frowned upon by safety authorities. *(p. 10)*

Motors

This year's spring peak, due in April, will be just a hump along about June. Ford's amazing acceleration of production is pushing him into his old position at the head of the line. *(p. 11)*

Auburn is reversing its sales strategy, going after the low-price market with "more for the money" and cut prices. *(p. 11)*

Marketing

We spend more for transportation than for clothes. Part 8 of The American Consumer Market shows travel next to food and housing in importance. *(p. 14)*

Walgreen, of the world's largest drug chain, who has cut prices plenty in his time, now thinks there ought to be a limit, is fighting for a law to fix minimum prices. *(p. 12)*

Department store operations in 1931, examined by Harvard and the National Retail Dry Goods Association, show that management, even in big stores, did not offset volume losses by reduced expenses. *(p. 12)*

Shoe manufacturers call shoe-chain price cuts profitless selling, especially in view of the growing public distrust of cheap goods. *(p. 13)*

Labor

What happened to employee stock ownership plans in the great economic war? Princeton's Industrial Relations Section, after looking some over, answers, "Plenty." *(p. 16)*

New York's building wage dispute, which looked like a false alarm, burst into real flames, now threatens to spread. *(p. 16)*

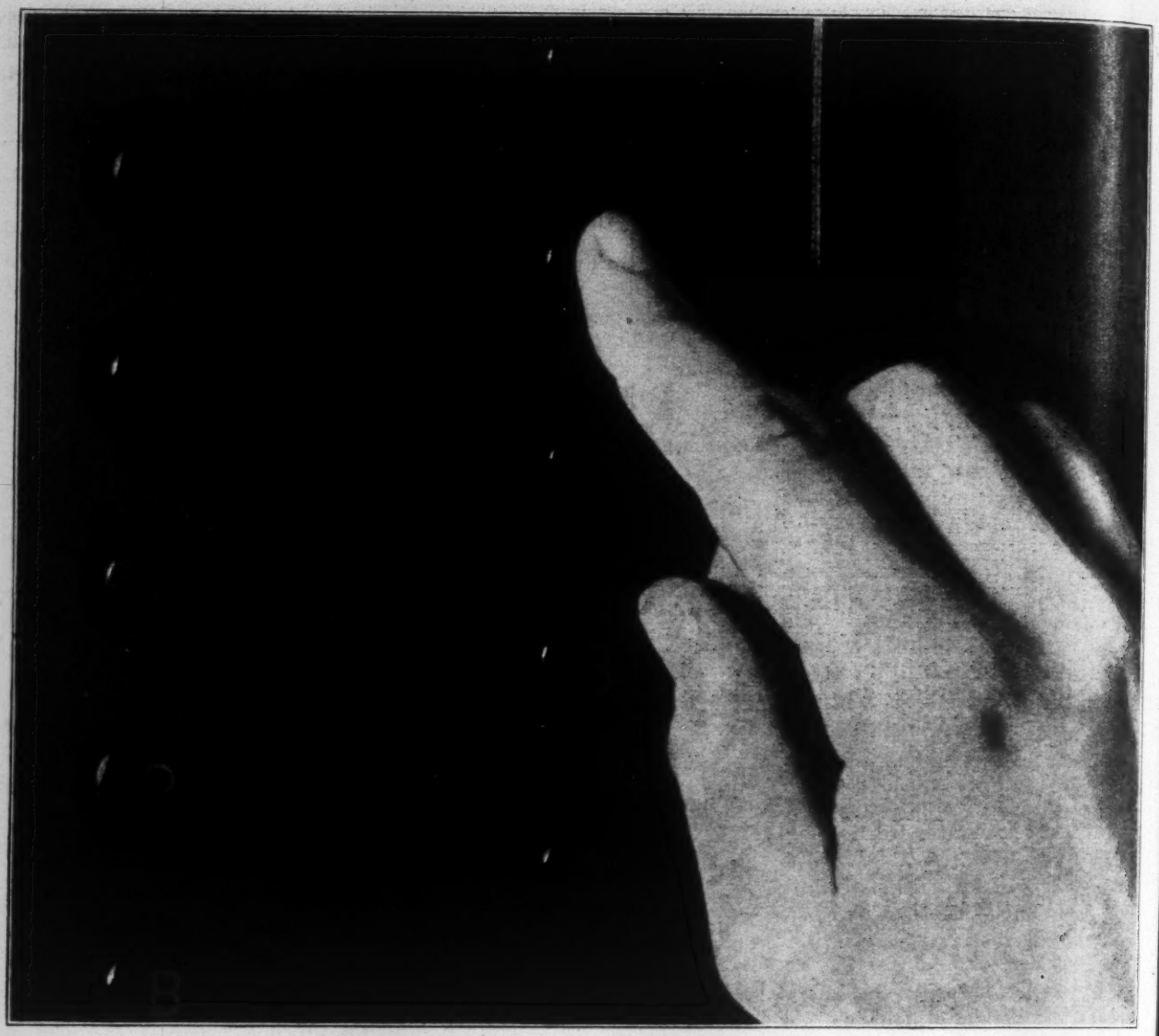
Pay and payroll cuts, studied by the National Industrial Conference Board, show smaller plants have cut most. *(p. 17)*

Figures

Construction activity, even under influence of public works, has not offset recession in steel, coal, electric power, and check payments. Residential building continues to shrink, non-residential showed a sharp improvement in May. Federal projects are swelling orders for structural steel. Ford expansion can be made from his own steel mills, while contraction of schedules of other motor manufacturers is reflected in the decline of steel operations. Carloadings and currency circulation increases were due to holiday influences. *(p. 32)*

In this issue:

"Our Wanderlust," Part 8 of The American Consumer Market



TAKE COMMAND!

Push the button to a modern automatic elevator. You, at that moment, give an order for action which is transmitted instantly. The motor executes your command without a moment's delay. The car starts easily. It climbs smoothly, swiftly, silently. It stops at the exact level of your floor.

• • •

Note we say a *modern* elevator. This point is important. For it includes not only the fine new elevators, but also the older ones which have been modernized by Otis. Because Otis engineers have designed elevator improvements and inventions in a way to make them applicable to these older elevators, they can be modernized at low cost. They are often made to give the service and conveniences and comforts of an entirely new installation.

Here are some of the elevator improvements available under the Otis Modernization Plan: The self-leveling device which automatically seeks the exact level of the landing and without jerk or jar. The signal-control system which never disobeys an order or forgets to stop at your floor. Automatic door openers and closers which handle the doors smoothly and quietly. Cars and fixtures and finishes in the modern manner. These and many, many others.

These are modern days and an antiquated elevator is as much behind the times as a horse and buggy. An out-of-date elevator cannot possibly give you the service you deserve. If you have old elevators in the building where you live or work, suggest to the owner that he call in Otis and secure a survey. It will tell just what the elevators need to bring them up to date. This service is free.

OTIS ELEVATOR COMPANY

THE BUSINESS WEEK

The Journal of Business, News and Interpretation

News of the week ending June 11, 1932

"Self-Liquidating" Relief Is Sequel to Balanced Budget

Loan plan seeks to help states and increase jobs without disturbing fiscal situation

WASHINGTON (*Special Correspondence*)—After months of wandering into strange economic byways, Congress headed its relief program back this week toward the strait and narrow path which President Hoover (with the not too well-acknowledged aid of Senator Wagner) had marked out for it. Barring possible deviations along the route, it will not run into the ticklishly balanced budget.

What may happen before next winter—or next week—no man can say, but the present goal seems to be Reconstruction Corp. loans of $1½ billions for public or private self-liquidating projects and of $300 millions for direct relief to the states, with some provision for loans to stabilize agricultural marketing, help out the farm cooperatives, and promote crop exports.

Loans, Not "Doles"

There will be—for the present—no "dole" in the Hooverian sense of the word. The states will be asked to repay their borrowings. Interest and sinking funds on each loan made to them will be deducted from the federal money due the state under the established fifty-fifty federal-aid plan to promote state road-building. That is, if a state is scheduled to build $12 millions of roads approved by Washington, and is at the same time borrowing relief funds from the R.F.C. on which interest and sinking fund amounts to $4 millions, Washington will advance it only $2 millions this year, turning over to the R.F.C. the balance of the $6 millions it would ordinarily contribute. This means that some of the direct relief will be at the expense of employment relief.

The President has been most determined that the program should contemplate no sale of government bonds. Of course, the Reconstruction Corp. will have to sell debentures to finance its loans and some critics point out that there is little difference between guaranteeing the debentures and standing back of new bonds, but the President finds enough to satisfy him.

The strait and narrow path affords no room for the big federal works program that the House picked up in the course of its primrose dalliance with Speaker Garner while "gagged" Republican representatives were engaged in mouthing the kind of Congressional poetry that rhymes "pork" with "work." In this the President scores again—with some help from public opinion, including the opinion that pays more attention to phrases like "budget-balancing" and "pork" than it does to issues.

Senate Against Garner

While the House gave the Speaker better support on relief than it did on the tax bill, he seemed this week to be scheduled for eventual humiliation, and partly at the hands of Democratic senators. His difficulty is that about 10 of the "Roosevelt senators" have not forgotten that Mr. Garner upset the New York governor's band wagon in California. So they are not anxious to help him in another attempt to pose before the country as a big figure in legislation. And other senators have caught on to the fact that "pork" got more headline space than "employment" in newspaper discussions of his plan.

First evidence of Senate dislike for the Garner program came in the last hours of debate on the tax bill, when the Senators voted a 1¢ gasoline tax which the House later approved. Garner had hoped to reserve the gasoline tax to cover the interest and sinking funds on his public building outlay. Later conferences between the President and Senate leaders of both parties developed a strong line-up for the revised Wagner plan which seemed to clinch the vote against Mr. Garner.

While plans for direct relief to the states have occupied much of the newspaper limelight it is on the self-liquidating loans to public and private corporations that the Administration counts for the accomplishment of real relief. Its attitude was shown in the pressure brought on the I.C.C. not to permit anything to happen which would discourage the Pennsylvania Railroad from going ahead with its electrification project, said to involve 28,000 jobs.

To Stimulate Spending

The idea is to authorize and implement the Reconstruction Corp. to advance money that will enable New York, for example, to start work on its long-planned Tri-borough Bridge and Thirty-eighth Street Tunnel, encourage the railroads to embark on their contemplated financing of new locomotive purchases, materialize industry's suggestions for underwriting a broad program of equipment modernization. Secretary Mills summed up Administration relief economics when, in retort to Senator Wagner's accusation, "I am trying to put men at work and you won't cooperate," he said, "I want to break the ice by lending to industry so that somebody will begin to spend money," and added that "trying to bust the depression" with a $300-million appropriation "is like getting a 10-year-old boy to try to lift the Washington Monument."

Help for Self-Help

For the present, advocates of self-liquidating public works haven't gotten much further than the Tri-borough Bridge and the Thirty-eighth Street Tunnel, and the question of how private industry's needs shall be weighed and balanced is still very much up in the air. The only principle clearly established is that the self-help that Mr. Ford recommends to employees is also the best possible sauce for employers.

Finally, passage of this kind of a relief program will again sustain the principle of a balanced budget—until Congress faces the bonus issue and the expeditionary force on the Anacostia flats. Opinion this week was that the House will pass the bonus—unless it escapes by adjourning before June 13, the date on which the bill is to come up; that the Senate may vote it down; that, in any event, it cannot be passed over the certain Presidential veto.

Business Cannot Pass Along All of the New Tax Bill Load

Special excises to yield half the total revenue are hard to hand on

THE new Federal Revenue Act, which like all tax bills and unlike all other pieces of federal legislation bears the name of no proud author, will add $1,118 millions to the income of the federal government and the outgo of the American taxpayers during the next fiscal year ending June 30, 1933, if the statisticians of the Treasury have made a good guess.

This means that the federal tax burden will be increased by over 50%. But we are assured by Secretary Mills that, with the reductions in governmental expenditures over which Congress is now sweating, the national budget will be balanced for the next fiscal year if no additional federal expenditures are incurred. This assumes that no payments to the sinking fund will be made, and that foreign debt instalments amounting to $250 millions will be received this December and next June.

The Distinctive Features

The distinctive features of this fiscal tour de force are the steep increases in individual income tax rates; the addition of a long series of stiff special excise taxes; the inclusion for the first time in a tax bill of tariffs on oil, coal, lumber, and copper; and increases in postal rates. More than half of the additional revenue will be raised by the special excises. The tariff provisions are of minor importance from the revenue point of view, but of great political importance to certain uncertain legislators and probably will cost consumers something, though it is impossible to estimate how much under present competitive price-cutting conditions.

The individual income tax increases will not, according to the estimates, mean much additional revenue—about $178 millions—but they affect the smaller incomes most. For instance the rise in tax on the lowest income brackets, from $3,000 to $10,000, ranges from 500% to 1,000%, while on all higher income brackets the increase averages around 100%.

So far as the incidence of the new taxes on business is concerned, chief interest centers in the special excises which were inserted in the bill instead of any form of general sales or manufacturers' excise tax. The increase in the corporation income tax from 12% to 13¾%, with elimination of exemptions for small corporations and application of a rate of 14½% on consolidated returns, will add the modest amount of $41 millions to corporation tax burdens, if the Treasury's forecast of corporation income is borne out.

More Business Burdens

Other taxes which can more or less safely be said to rest mainly on business are those on telephone, telegraph, cable, and radio messages, on bank checks, and the higher postal rates, all of which together are estimated to mean an increased burden of about $260 millions, mainly borne by business. The stamp taxes on security issues and sales, conveyances, and future sales of commodities amounting together to $45 millions might also be added in large part as a contribution to business burdens.

The other excises, amounting to about half a billion, are intended of course to be borne by consumers, and no doubt some of them will be. But under prevailing market conditions, with competition intense during a period of falling prices, a large part of them will probably be absorbed by business.

Treasury Forecasts

Some of the estimates of yield of the special excises are indirectly optimistic forecasts of sales volume during the next fiscal year. For instance, the Treasury tells us that we can expect to see about a billion dollars' worth of automobiles, $180 millions' worth of radios and phonographs, and $100 millions' worth of mechanical refrigerators bought by consumers during the year.

The tax on electric power, which was originally intended to be borne by the privately owned utilities and constituted the sharpest point of conflict in the conference committee reconciling the House and Senate bills, is to be a simple 3% added to the domestic and commercial consumers' electric light bill, and assumes that they will pay $1,300 millions for the juice during the year.

The new income and gift tax rates will be collected on the Ides of March next covering incomes, if any, for this calendar year, and gifts made after June 7, 1932. They are permanent, at least until Congress changes its mind. The postal increases run from July 6, 1932, to July 1, 1934. The excises, tariffs, stamp taxes, and miscellaneous taxes begin June 21, 1932, and run to July 1, 1934.

With business recovery the return from the new taxes may reasonably be expected to rise so rapidly as to yield a substantial surplus and help reduce the deficit accumulated during the past two fiscal years, assuming no further extraordinary expenditures. This deficit now stands at about $2,700 millions as compared with a billion a year ago. The federal debt is now approximately $19 billions, which is no larger than six years ago, $7.5 billions below the 1919 peak.

Rail Men Back Plan To Cut Capital Charges

RAILROAD executives are rallying behind a plan to bring the Reconstruction Finance Corporation to the rescue when aid now available threatens to fall short of averting receiverships. The proposal contemplates that the R.F.C. make loans to enable roads to buy in their own bonds at a price suggested by the I.C.C. when speculation interferes with refinancing or when a road does not have collateral for a loan for other purposes.

In both operations the bonds would be accepted by the R.F.C. as collateral at some higher figure commensurate with similar issues in its loan portfolio on the condition that when the loans are paid the bonds will be canceled. Thus capitalization and interest charges would be reduced. Several roads now are buying their bonds on the market. The majority cannot do so without help.

The experience of the Cotton Belt and the Mobile & Ohio demonstrates the needs that the suggested plan would meet. With the aid of the R.F.C., the Cotton Belt met maturity of $20.7 millions of its 4% bonds by paying 50 per cent in cash and refunding the remainder to 90 per cent of its bondholders who had deposited their bonds. The road was compelled to pay 100% cash, however, to the 10 per cent who refused to deposit their bonds.

Unless action is taken against such minorities other roads fear they will have to submit to the same hold-up.

Without authority to compel a holder to surrender his bond at any price, nothing but the pressure of public opinion would support the I.C.C. in authorizing a road to pay a fixed maximum.

Acme

RELIEF, BY ANY OTHER NAME—*Grim and hungry veterans continue to arrive in Washington. They cluster about the Capitol, sit in the galleries. They ask the bonus but what they want is relief. Washington is perturbed*

That International Conference Will Have to Talk About Gold

Some day, we and France will have to join Britain in monetary policy—but we aren't ready yet

THE major powers are moving, or being moved by force of events, toward some kind of international economic conference. Discussions have been going on behind the scenes for months.

Secretary Stimson finally announced that the United States is willing to participate provided the conference is kept apart from the Lausanne meeting and confined to other questions than tariffs, war debts, and reparations. In this way it is intended that the United States shall avoid being directly involved in the reparations issue, out of consideration for the sensibilities of Congress and the domestic political situation.

Of course no international economic conference can ignore tariffs, war debts, and reparations altogether, but if it is called after Lausanne, and in some other place, and is confronted with the conclusions of Lausanne as a *fait accompli*, it will be easier for this country to deal with them. The utmost that can be accomplished at Lausanne, if anything, is to put the question of war debt adjustment or cancellation or suspension squarely up to the United States.

Accordingly the question of time is important, but still uncertain. Probably an attempt will be made to adjourn the Lausanne conference to London, include countries not directly involved in the reparations problem, and to reach some decision before or soon after the Imperial Conference meets in Ottawa in July.

The main business at Ottawa will be the problem of imperial tariff preferences and the establishment of some sort of imperial trading area operating under a sterling currency standard. This might have the unfortunate result of freezing the United States, France, and the few other gold countries out of international trade and leave them to bear the entire burden of continued deflation of gold prices.

For these reasons the chief issue of any special conference sandwiched between Lausanne and Ottawa is likely to be that of concerted international action on monetary matters, with tariff and international debt problems secondary. The silver question would probably come into the picture, but largely as a sop to those interests in England and the United States which have been urging international action to raise silver prices by using silver as a supplementary metallic reserve.

Prices Underlying Issue

The real issue underlying the whole international economic situation is the value of gold and the gold price level, and this issue has become critical during the past year, since Britain went off the gold standard. It underlies also the tariff, reparations, and war debt problems, since the growth of tariff barriers and the approaching repudiation or default of reparations and international debt payments are the result of the international scramble for gold and the consequent continued deflation of gold prices which has intensified international trade competition and made international as well as domestic debt burdens unbearable and unpayable.

At an earlier stage of the depression, such an international conference might have considered the possibilities of closer cooperation among the central banks of the principal countries toward action to secure effective credit expansion and to revive the international flow of investment capital as a means of checking the decline in the price level. At the present stage such an effort would probably prove as ineffective as similar action on a national scale has proved in the United States through Federal Reserve open-market policy, because banking and investment confidence has been so severely shaken.

Too Early for Action

The only constructive outcome for such a conference now conceivable would be concerted action among the chief countries to curb international competition for gold and raise the gold price level by simultaneous reduction of the gold value of their currencies. This is possible, and probably inevitable in the course of time, but it is hardly likely that any international conference would agree to it at this stage of the depression.

Although opinion in England is quite ready for it, and British financial policy is definitely directed toward maintenance of the domestic sterling price level regardless of the international or

gold price level, the attitude in the two principal gold countries is still strongly hostile, especially in France.

England is buying and drawing gold from the United States and France by selling sterling exchange and paying a premium for dollars and francs in order to accumulate her "sterling equalization fund" to be used in stabilizing her internal price level. The result is steadily to depress the gold price level still further, add to the difficulties of the gold countries, and perhaps eventually to force them to suspend gold exports. This is intensified by the decision of other central banks of other countries to abandon the policy of holding any reserves abroad in foreign exchange and to bring them home in gold. The consequent appreciation in the value of gold and the deflation of gold price levels is pushing the gold countries to the point where they will be disposed to talk it over with Great Britain.

Whether this conference will supply the occasion remains to be seen.

Glass "More Money" Bill Seems Useful Only in Grave Emergency

Recurrence of hoarding or continued withdrawals of gold might call it into operation

THE "more money" measure suggested by Senator Glass and favorably reported by the Senate Banking and Currency Committee as a substitute for the Goldsborough bill is of no immediate practical importance in the financial picture, but may become so in the next session of Congress. It is one of the numerous monetary measures that have been considered in an academic way during this session, which serve mainly to show the speed and direction of the drift of public opinion and legislative understanding regarding monetary problems.

Senator Glass converted the committee to the view that if inflation of credit and currency is the real cure for the existing situation, which he doubted, it would be better to proceed about it in a direct way which would not lead to concentration of excess idle funds in the chief money centers but diffuse them throughout the country and put the national banks in all parts on the same basis so far as securing additional supplies of currency to meet local demands is concerned.

For this purpose he suggested extending to all government bonds the circulation privilege now attached to two old issues antedating the Reserve system, enabling national banks owning such bonds to issue national bank notes backed by them, up to 95%, with a 5% gold redemption fund. This would make possible a limited expansion of currency approximately a billion dollars.

The extent to which the circulation privilege would be useful would depend upon circumstances. In the present situation, with bank credit demand slack and banks hesitant about investing in other bonds, it would be difficult for the national banks to find ways of putting the additional currency into circulation. Besides they can now, as Federal Reserve members, readily cash or rediscount their governmental bond holdings if necessary.

Still, the power of expanding currency under this privilege would be helpful if there should arise an extraordinary demand for currency due to recurrence of hoarding and continued withdrawals of gold. Under the Glass-Steagall Act, government bonds can be used to replace gold or commercial paper as backing for Federal Reserve notes only up to 60%, with a 40% gold reserve required, and nearly $300 millions of them are now being used for this purpose. But under the Glass suggestion it would be possible, if necessary, to issue up to a billion more currency in national bank notes with only a 5% gold backing.

Unless the notes are hoarded, any additional issue under present conditions would merely come back to the banks and be used to retire a corresponding amount of Reserve credit or reserve notes and so have no influence on the price level.

The Glass proposal, if ever put into operation, would be a conservative compromise between the Goldsborough idea, which is merely a vague gesture in the direction of bank credit expansion, and other proposals put forward in this Congress which provide for large new currency issues based on extending to all holders the privilege of cashing government bonds at the Treasury.

Since these holders now are chiefly banks or other financial institutions which can now readily dispose of them for cash or rediscount them, the problem of getting the new currency into circulation would largely remain unsolved. The Federal Reserve Banks

Soyuzphoto

AMERICAN IN RUSSIA—*The man is a Muscovite: the machine is American: a 2-way gang drill for cylinder blocks in a Soviet tractor plant*

have been "cashing" government bonds on a large scale for several months, but the only result so far has been to pile up bank deposits and bank reserves.

Only if gold outflow or currency hoarding should limit the power of the Federal Reserve to meet currency demands would it be necessary for the government to buy back its bonds with new currency; and long before this were done it is probable that some modification in the arbitrary gold reserve ratio under which the Federal Reserve operates would be considered or some alteration made in the gold content of the dollar.

Business to Find Out for Itself About "This Russian Business"

American "Committee of 8" will investigate progress, determine possibilities of commercial recognition

WHAT about Russia?

Washington has refused consistently to deal with the question. Business is more friendly: Since 1923, Americans have sold $670 millions of goods to the Soviets, have kept thousands of workers busy filling Russian orders. Credits have been limited much more drastically than in certain European countries, but not because the Soviets were "poor pay."

Last week it was revealed that business is going to take into its own hands the responsibility of "rating" Russia from the business man's point of view. A "committee of 8"—prominent Americans all—will leave for the Soviet Union, probably early in July. It will be their responsibility to "look Russia over," come home and report to the executives who have not had the opportunity to visit the country themselves.

The personnel of the commission is not yet known. It will be fostered by the American Russian Chamber of Commerce, but it will travel, once it is set up, entirely on its own initiative and at its own expense. And the calibre of the members will assure it the respect and backing of responsible business in this country. Each member will report individually when he returns.

Five Main Questions

As previewed by executives who are eagerly awaiting the report of the commission, there are 5 main topics on which the manufacturer and exporter seek reliable information.

The first is an intelligent appraisal of the first Five-Year Plan. How wisely was it conceived? Does it form a sound basis on which the Soviets can be expected to develop the great industrial nation which they visualize? Have the various key projects been well carried out? Is the scheme likely to succeed in raising the standard of living to the extent that it claims it can? How serious are the accusations of forced labor, mismanagement? Is the Soviet Union a menace in world markets?

Because American business is desperately seeking new trade outlets, and because of the promise of huge orders if Moscow can develop the second Five-Year Plan in a manner similar to the first, the commissioners will attempt to appraise the projected Plan by going over it with officials in Moscow, by visiting the sites which will be developed as a part of it, by studying the whole system into which it must fit. What they say concerning these two plans will carry much weight with the manufacturer in the United States who sees a large volume of business ahead if he can secure some of the huge orders which Moscow must place.

What of Agriculture?

No part of the first Five-Year Plan has succeeded more gratifyingly than the agricultural program. Two years of the collective system, even with the drastic measures which Moscow instituted to bring the old peasantry into line, seem to have been enough to convince the Soviet farmer that he is better off under the collective system than when he was trying to earn a living on a tiny plot of ground without modern tools or the aid of the agronomist. Whatever is said in criticism of the first Plan, few visitors to the Soviet Union admit that the agricultural scheme has been other than successful.

Executives want the thing appraised by their own representatives from their own point of view. They want to know why the agricultural plan has been unusually successful, what it is likely to develop in the way of competition for American farmers, what security it will come to offer for the large purchases of materials—agricultural and industrial—which Russia is going to make.

The threat of Communism is still a worry to the business man. The commission will be expected to look at the Soviet setup, to question Soviet officials, workers, other travelers, formulate its own opinion. It will view the educational system, which has been praised by not a few American travelers.

And finally, each member of the commission will interpret the entire Soviet experiment in relation to American business. It will attempt to do something similar to what the Bureau of Foreign and Domestic Commerce does for American business in countries recognized by Washington. It will be in no position to supply immediate trade information to specific industries or to keep its report up to date. But it will make that first fundamental study on which individual business men can base their thinking.

So far, the present plan has no backing from the United States Chamber of Commerce or from the American Federation of Labor. It is entirely separated from any political connection. But the fact that Washington has agreed that Russia sit in on the world economic conference in London, if and when it is held, and the fact that Russians are participating in many trade conferences (oil was the most recent) in which Americans are participating, is evidence that they are becoming an important cog in the world business machine.

Shorter and Fewer Trips Mean Less Gas Burned

DESPITE our native restlessness (page 14), we aren't going to burn up so much gasoline this summer. The Committee on Petroleum Economics predicts a decline of 17,557,000 bbl. between April and December, which is about 5.4% below the same period of last year.

The American Petroleum Institute, in mid-season convention at Tulsa, was warned to prepare for an even greater slump in gallonage. For, though the industry has suffered less than most from falling volume, marketing conditions are growing more uncertain.

Although gasoline prices are lower than in years, it still costs money; the American family treasurer is discovering that those week-end trips will buy the pair of shoes which baby needs.

Taxes, too, are not inconsiderable. This is the first summer for several

state tax increases, and it won't be long before the federal tax will follow. In high tax states, this means a tax which represents 100% of the price of the gas alone!

It is to combat this threatened decrease in consumption that the oil companies have reversed tradition and cut the price at the beginning of the heavy touring season. Standard of New York slashed prices on regular and ethyl in the metropolitan area (*BW—Jun8'32*). Others followed this lead.

Standard of New Jersey is introducing a third grade to fight the cut-price stations locally and get the family flivver trade which now insists on cheap gas.

In Akron, prices have been dropped 2¢ on the gallon. In Chicago, Standard of Indiana has reduced the price of its third grade to 12½¢, including a 3¢ tax.

Oil Conference Failure Shows Soviets' Bargaining Advantage

Serves notice on world business that they feel able to demand a high price for cooperation

THERE is a handful of countries in the world whose cooperation in world conferences is almost essential for success. The Soviet Union is working itself into that group.

Newest evidence came last week when the world oil conference came to an end in New York. It failed to bring any sort of agreement among the members to regulate the world export markets for oil. Represented at the meeting were Russia, combined British and Dutch interests, and the United States

Delegates talked sparingly after the conference, and the official statements were vague. In the industry it is known that the British and American groups, wide as their differences have been in the past, tried to hold together at this meeting. Their foreign markets are demoralized and their own price-cutting campaigns have been most uneconomic. But there are reports that they were not in full accord among themselves. The Soviets, on the other hand, are blamed for demanding too much in the way of price guarantees in return for any agreement to curtail exports.

The Main Proposals

From conversations with prominent members of the industry it seems that discussions centered around these propositions: A 10-year plan for controlling oil exports (the Soviets were unwilling to negotiate for more than 3 years at a time); a plan to hold Soviet exports during this period to the volume exported in 1931; a demand that the Soviets give up their distributing facilities in Germany and Britain and turn over their contracts to supply oil to various countries as a part of the cover-all export plan of the other members of the conference.

Though neither group talked officially after the conference, reasoning probably followed these lines:

Soviet delegates: Russian oil exports in 1931 amounted to more than 5 million tons. Distribution in Britain and Germany has been unusually successful. There is a contract for supplying oil to Spain and to France. Other contracts are not insignificant. But, because Moscow needs vast quantities of oil for domestic consumption as a part of the plan for industrialization, it would be worth while to come to an agreement with other exporters if that would make possible price stabilization at a reasonable, and more profitable, level. That agreement should be worth a price to other producers. If 1931 is taken as a base, Moscow should be given a flexible quota to grow as world markets grow.

Distribution Set-up Adequate

Other delegates: World production is pretty well controlled by British and American interests. Russia is the most formidable competitor. Russia needs more oil at home but at the same time needs to get as much valuta as possible for what oil is exported. British and American interests have a distribution setup which covers the major markets all over the world. Duplication of facilities has proved expensive; further duplication is ridiculous just now. Agreement to handle Russia's export oil would eliminate the waste of a third competitor. But since there is already too much oil in world markets, and since Russia has not enough oil at home, the Soviets should agree to hold exports to the 1931 levels for at least 10 years.

The significance of the whole affair goes far beyond oil. More than a year ago, the Soviet Union, as one of the 4 great producers of platinum (with South Africa, Colombia, and Canada), agreed to market its entire platinum output through Consolidated Platinums, a private British company which will control production, regulate prices, and seek new outlets for the metal. The small domestic demand for platinum made Moscow ready to agree to production control if that would maintain prices.

The 2 world wheat conferences last year failed to reach an agreement. In that case, it was admitted that the Soviets attempted to cooperate. What they agreed to do was curtail exports (probably accept a quota arrangement). What they definitely refused to do was to curtail production. Moscow is still faced with the desperate problem of trying to feed her 160 millions while at the same time exporting as much as possible of major products to build up the foreign valuta with which to buy industrial equipment.

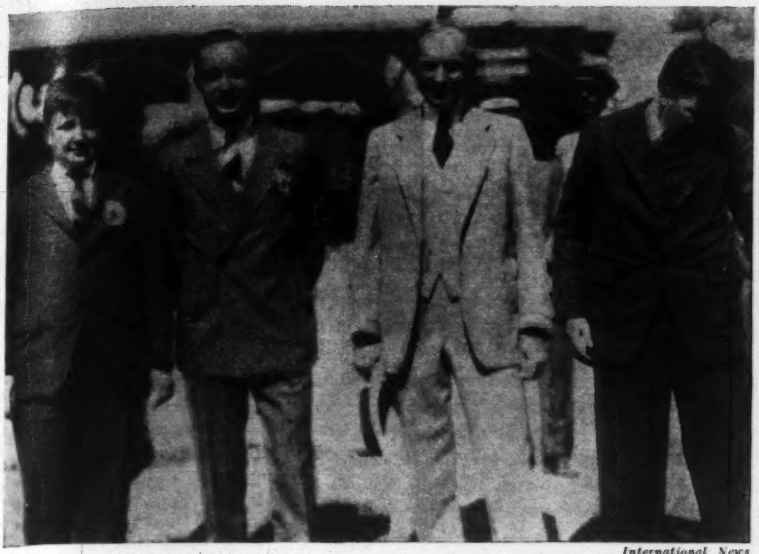
The Lumber Conference

The conference of important lumber producers in Geneva a few weeks ago failed for the same reason. Faced with a great construction program, the Soviets feel they cannot agree to curtail domestic production. Faced with falling prices for their products on foreign markets, they would like to agree to export quotas.

If the Soviet Union did not control such a vast wealth of natural resources, and if present exports could not be mobilized and bargained out through one central office, the Soviets still would be unimportant in world councils. Competing with private industries, even when they are as large as the oil units in Britain and the United States, they have the advantage of a united front. This advantage will grow as Soviet output expands. World business needs to recognize this prospect, to prepare to cope with it in the future.

Gasoline's Go-Getters Get Into Trouble

WASHINGTON, D. C., has stepped on a practice with possibilities as highly combustible as those of the bonus invasion. Its fire marshal has prohibited the growing practice of peddling gasoline on the city streets. About 100 gasoline trucks had been cruising around, answering hails of motorists, filling tanks from open buckets. Prices were



International News

FORD FOUR—*Henry, Edsel, and Grandsons Ford at the Indianapolis Race. Ford's spectacular comeback will soon put him in his old position*

2¢ under the non-ambulant stations. There was grave danger of explosion.

The National Fire Protection Association in a recent resolution strongly condemns the practice. Washington witnessed its most serious development, but it has been tried in nearly every part of the country. An unemployed driver usually gets an unemployed tank truck and hawks the gas until the fire marshal hears about it.

The oil industry's drive for gallonage while it tries to cut retail overhead has brought strange and awful selling devices to the attention of the Fire Protection Association. Gas has been sold direct to motorists from tank cars on sidings. Huge storage tanks under business districts have been fed by direct gravity from nearby tank cars—which cut out the tank wagon cost but promised Vesuvian explosions. A Detroit engineer has developed a portable gas station on a truck chassis which can be spotted at locations where the demand is temporarily heavy (fair grounds, circuses, etc.) or used to test the revenue possibilities of spots along country roads; the station can be slid from the chassis for temporary stands, put back when the need is past. (The industry is debating acceptance of the idea from a safety standpoint.)

Most curious is the suggestion for making telephone operators the sales agents of gas stations closed for the night. Motorists would be furnished disks which would put in a phone call from the station. Special apparatus would enable the phone girl to furnish the required gallonage. The phone companies appear to be receptive, but fire agencies are reluctant to approve any scheme allowing the motorist to service the filling of his own tank.

Auburn Slashes Costs, Invades Low-Price Field

AUBURN, which made such a spectacular showing in 1931, started off to improve its record in 1932, offered even lower prices. Sales failed to justify expectations, and prices were restored to the 1931 levels.

This week, Auburn again applied the axe to prices, chopped them down 25% to 30% (new low $779) in a sudden invasion of the low-price field.

The dynamic Mr. Cord used to sell his Auburns on the basis that they had the weight, power, and speed of the high-price class at a lower price. In his new strategy, he turns to the wondering small-car buyer and says, "Spend a little more—and get all this."

At $878, delivered in New York, the 100 hp. Auburn 8 sedan is a dangerous competitor for all medium-priced cars. Just $145 more than the Ford 8, its effect is likely to be felt in the lowest price field.

Ford Speed-Up Puts Spring Peak in June

ORDINARILY, automobile production, after free-wheeling through the winter, goes into first gear after the shows, slips into second in February, speeds up in March, and hits a high for the year during April-May.

Some of this early speed is to fill dealer's floors with new models. Usually, consumer sales go on from there to the spring peak.

This year, with dealer finances what they were, manufacturers were cautious about quotas. Customers were equally cautious about cash. And the small and medium-priced market was waiting for the Ford 8. Production for the first quarter, according to the Department of Commerce, ran at a level of 120-odd thousand a month, with the usual January acceleration coming in March.

Spring Rise Delayed

New passenger car registrations for this period were a sad 43% below that of 1931, and 62% lower than the 1930 first quarter. They were, however, a little better than the last quarter of 1931—a bare 1.9%.

Of this first quarter total, Chevrolet got 35%, Ford 11.7%. Buick was third. Plymouth won fourth place. Pontiac, Studebaker, Dodge, Oldsmobile, Chrysler, Essex followed in that order.

April figures show the first signs of the delayed spring rise. Advent of the new, new Ford thawed a lot of frozen decisions. Chevrolet and Plymouth dealers took full advantage of the inability of Ford dealers to demonstrate or deliver. Registration in 39 states and the District of Columbia jumped about 25% above March, small cars getting a larger share than ever. Plymouth moved up again, this time to second place; Pontiac passed Buick, won third place. The best that could be done, however, was half last April's total.

New Ford Takes Effect

What May figures are available indicate a substantial increase over April. Plymouth, for instance, shipped 10 times as many cars this May as last May. Chevrolet, with around 64,000, produced about 20,000 more than in April. Ford's May world production, including the Scandinavian, totalled 72,140 cars and trucks, of which about a third are presumed to be V8's. Employment in American Ford plants jumped 25,000 during May.

Apparently, the low, rounded mound which is to pass for this year's spring peak will reach its height in June, carried there by increasing Ford activity.

The spectacular increase in Ford production is pushing Ford to the head of the low-priced class. June is expected to see the gentleman from Dearborn once more leading the procession with an output well over 100,000—half the whole industry's.

Walgreen, of Big Drug Chain, Now Wants Fixed Retail Prices

INDEPENDENT drug store owners who have managed to stay in business despite chains and depression are astonished to find that Charles R. Walgreen, president of the Walgreen (world's largest) chain of 468 drug stores, is staging a fight for a law that will permit fixing of minimum selling prices. Such a law, of course, would affect all lines—not merely drugs.

Cutting prices on advertised or well-known products has been the chain stores' favorite weapon against independents, their star bait for customers. Once in the store, the customer bought long-profit items that covered the loss on the bargains.

But the going hasn't been too good, of late. Independents learned to use the trick, for one thing. For another, shoppers, 1932 model, are wary. They have less money to spend for high-profit novelties, gimcracks, perfumes, and powders. They cheerfully buy the loss-leader offerings of the chains—and walk out. So chains have resorted to the combination offer which couples a loss-leader and a high-profit item.

Rent, the Murderer

In such times, the chains scrutinize expenses anew, and the saddest of these is rent. Leases that seemed fair enough in 1928-29 are murderers of profits now. Moreover, the landlord is obdurate. He knows only bankruptcy of the chain can upset him.

Mr. Walgreen still wants to retain the privilege of cutting prices, but he thinks price-conditions could be stabilized if the manufacturer of a trade-marked article were permitted to set a minimum price below which his goods must not be sold. For instance, the producer of a shaving cream, made to be retailed at 50¢, would be permitted to specify that it was not to be retailed at less than 34¢. The manufacturer could thus prevent the use of his product as a loss leader and guarantee retailers, large or small alike, a minimum profit.

Echo of Capper-Kelly

The proposal resembles the type of legislation sponsored by Senator Capper and Representative Kelly for many years. The Walgreen proposal, however, has distinct features that might react unfavorably against nationally-advertised brands.

With fixed minimum selling prices legalized, chains could readily launch a program of private-label development with the size, type, and contents of the article deliberately designed to make possible very satisfactory profit margins while selling below the fixed minimum price of the competing nationally-advertised brand. Most of the drug chains now own or control important manufacturing facilities. They operate these practically on a one-profit basis. Nationally-advertised goods must be made to recognized standards and distributed from manufacturer through wholesaler to retailer, obviously a more costly process.

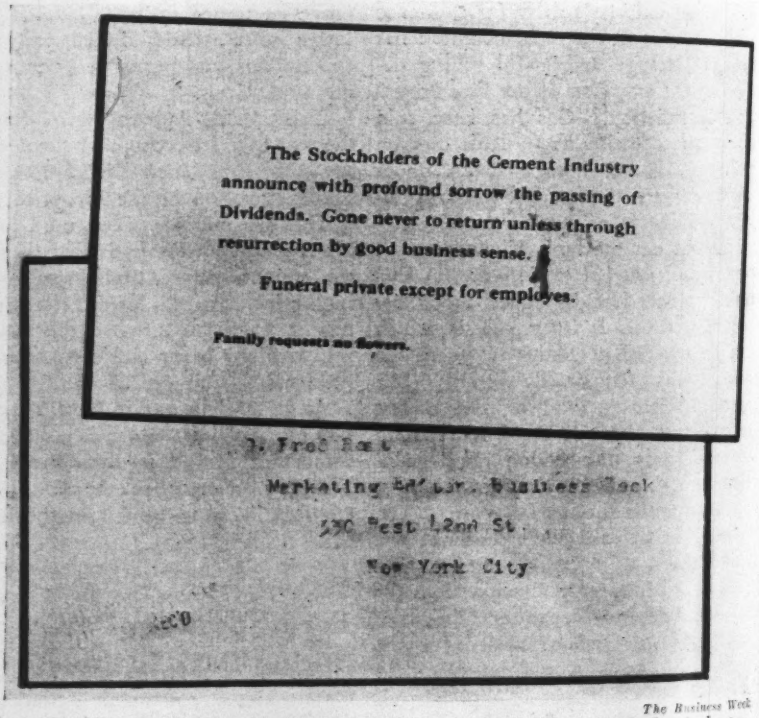
Many important manufacturers believe the Walgreen plan will meet more opposition than did the Capper-Kelly measure.

Larger Department Stores Made Best 1931 Showing

Two points stand out of the mass of data on department store operations in 1931, just published by the Harvard Business School's Bureau of Business Research, in cooperation with the National Retail Dry Goods Association. One is that the country's department stores failed to offset the year's cut in individual and total sales by corresponding reductions in overhead expenses, with the result that 1931 brought them substantial reductions in earnings. The other is the indication that the large stores were able to muster such managerial talent as enabled them to overcome any handicap which might be due to size.

Analysis of 521 reports, covering operations of 675 stores with over $1,379 millions of sales volume, shows that stores with over $2 millions annual business were able to earn a net of from 0.4% to 1.9% of net sales. Smaller stores came out with losses increasing somewhat in proportion to their size, the group of 65 stores doing less than $150,000 annual sales volume losing 4.7% on net sales.

The smaller establishments were unable to boost gross margins to meet the need of the times. Stores doing over $20 millions annually made up the only group whose gross approached expenses. They reported a gross margin of 35.3% against an expense percentage of 35.7%. The fact that they showed a net gain of 2.8% on net sales was due


The Stockholders of the Cement Industry announce with profound sorrow the passing of Dividends. Gone never to return unless through resurrection by good business sense.
Funeral private except for employes.
Family requests no flowers.

The Business Week

MANY A TRUE WORD—*Cement men, and those interested in the industry, laughed at this anonymous announcement received last week, but their laughter was tempered by a realization of the truth of the indictment*

to an item of 3.2% of "other income" including interest on capital.

Interesting is the fact that, of all the groups, this one of the 7 stores doing over $20 millions annual business, which made the best performance record for 1931 also had the highest mark-up (41.1%), and the lowest mark-downs (6.7%). The obvious deduction is that it was systematic control of purchases and intimate knowledge of their field which enabled them to produce remarkable results under distinctly adverse conditions.

Department stores doing a business of from $750,000 to $1 million are evidently in the twilight zone of efficient retailing. This group of 27 stores shows the highest payroll expense, tops 5 other expense classifications and its 38% total operating expense stands 1.8% above that of any other group.

The report points to a distinct relationship between sales volume and percentage of returns and allowances since this percentage rises from 1.8% for stores doing $150,000 annually almost in direct proportion to total sales to 14.8% for stores doing over $20 millions.

Similarly, sales per employee rise with the size of the store once the $\frac{1}{2}$-million mark in annual sales volume is passed, going from $6,000 for the smaller stores to $8,300 for the extremely large ones. Sales per square foot of floor space also rise in proportion to total volume, from $10 for the store with $150,000 annual sales to $21 in the $20-million establishment.

Shoe Chains' Price Cut Seems Bad Strategy to Manufacturers

With public becoming suspicious of cheapness, industry fears reductions will blight recovery

SHOE manufacturers are gravely concerned over what they term an "orgy of price-cutting" staged by several of the shoe store chains just as retailers in many other lines are organizing efforts to stop price-slashing and get back to sound quality merchandising.

They argue that even such cuts as were made while the public was still looking for reductions did little to increase unit sales, while seriously affecting dollar volume; that cuts made now, when shoddiness has killed the faith in cheapness and buyers are turning back to quality, are particularly untimely, mean a further sacrifice of dollar volume to no advantage.

Started in April

The new price break started in April when the shoe production curve also began to break, dipping 13.3% under the 1931 level for the month after it had registered a 6% rise for the first quarter and drawn a 1931 line 4% above that for 1930.

The Wm. L. Douglas chain, oldest in the field, with 127 stores and over 6,000 dealer agencies, reduced its $6.50 and $7 shoes to $5 and brought out a new $4 line—within 50¢ of the price at which, 2 generations ago, the chain's first store sold the shoes made in its own factory.

The Regal chain of over 100 retail stores, chiefly in large cities, abandoned its decade-old one-price policy, divided its style numbers into 3 price groups, reduced some from $5.55 to $4.65, cut 71 items from $5.55 to $3.95.

Melville Shoe Corp., largest manufacturer-to-consumer chain (nearly 500 retail stores), having already cut its McAn shoe, lowest-price men's line, from $3.60 to $3.30, now reduced the $5 and $6 shoes sold in its Rival stores to $3.40 and $4.40 respectively. The John Ward chain dropped its prices 31% below those of 1930. A. S. Beck trimmed the $5 line to $3.95.

The chains themselves are dubious about the results of all this. Some of their store managers have reported that no material benefits have come from the reductions. The more outspoken ones say frankly that they were unnecessary, have merely pulled down dollar volume and brought few extra customers.

One chain operator explained the break by reference to the growing volume of shoe business done by hat chains that have recently entered the shoe field (*BW—Dec2'31*). With Truly Warner offering a complete line of footwear at $3.45, Sarnoff-Irving at $2.95, he has been finding it hard to get $5 for shoes that look about the same to the ordinary buyer.

Meanwhile, sales of the Melville chain, first to report April and May, 1932, totals, reflect the effect of these drastic price cuts. April dollar volume was 29% under that of 1931, May was 25.1% lower.

Manufacturers who sell chiefly through independent dealers, specialty and department stores claim that the chains cannot long continue at present levels, that irreducible expenses, such as rent, light, advertising, will force them to bring retail prices back to where they can at least cover operating costs.

Motors Made Big Change

Prior to the motor age shoes were among the most stable items of consumer merchandise, with a volume that seemed to grow much in proportion to the increase in population. But the coming of the motor cut deeply into their sales. Domestic production, which averaged an annual 3.4 pairs per capita in 1914, had dropped to 2.48 pairs per capita by 1930, though there were some increases in the 1919-20 and 1928-29 boom periods. Imports from low-cost Central European factories accounted for some additional sales—0.3 pair per capita in 1929—but these have decreased materially since the Hawley-Smoot tariff removed shoes from the free list and put a 20% duty on them.

Rayon Goes the Way Of All Commodities

RAYON philosophers who have been contending that their man-made fibers, as distinguished from those dependent upon the vagaries of nature, can be regulated and stabilized at will (*BW—Jun8'32*), jotted down some qualifications relating to the vagaries of man last week. Rayon manufacturers, whose production curtailments and bold price guarantees of earlier spring (*BW—Apr 6'32*), coupled with plans for plant shutdowns this month, had augured well for price stability, let go their hold on viscose process yarns and the industry is prepared to dig in for a price war.

Since the middle of May reports of price chiselling have been sapping the manufacturers' hopes of holding out with the aid of the June shutdown in which Viscose Co. and the DuPont Rayon Co. led off an effort to avoid piling up surplus stocks. Some knitters are said to have been recently selling 150 denier circular underwear cloth at 75¢ a lb., the old list price for the yarn alone. New list prices, about 10¢ off the old on the various grades of yarn, carry no guarantees for the knitters.

After Our Food and Housing We Pay Most for Transportation

8. The American Consumer Market —A Study by The Business Week

AMERICANS are apparently a restless people, and moving about has become one of the necessaries of life in the United States, for more money is spent by individual consumers in this country for transporting themselves around than is spent for clothing and for any other item in the national consumer budget except food and housing. This is primarily a post-war development. Expenditures on transportation rose very steeply after 1921 and by 1923 were running ahead of clothing expenditures.

The accompanying table speaks for itself and presents eloquent evidence of the importance and rapid increase of the individual outlay for all forms of personal transportation in American life. The estimates of expenditures on private motor cars relate so far as possible only to individually-owned automobiles not used for business purposes, and excludes official cars and taxicabs. It is recognized that no sharp line can be drawn between cars used for purely personal purposes and those which render service to the individual in connection with some business; but all vehicles specifically intended for business use are excluded.

The items of expense under operation and maintenance of motor cars include gasoline and oil, tires and tubes, miscellaneous parts, accessories and supplies, and an allowance for interest on instalment credit used in car purchase.

The estimates for motorcycles include their operation and maintenance as well as license and tax payments; those for carriages and driving horses likewise include allowances for repairs and maintenance, and feeding and keeping the animals; while the figures for motor boats and yachts include their operating costs, enrollment or registry fees and expenditures for wharfage and taxes.

In connection with the estimates for common carrier transportation expenditures, a blanket allowance has been made to cover expenditures of individuals for this purpose not borne by them but paid by business concerns or government agencies, chiefly for traveling salesmen and those engaged upon official business, etc.

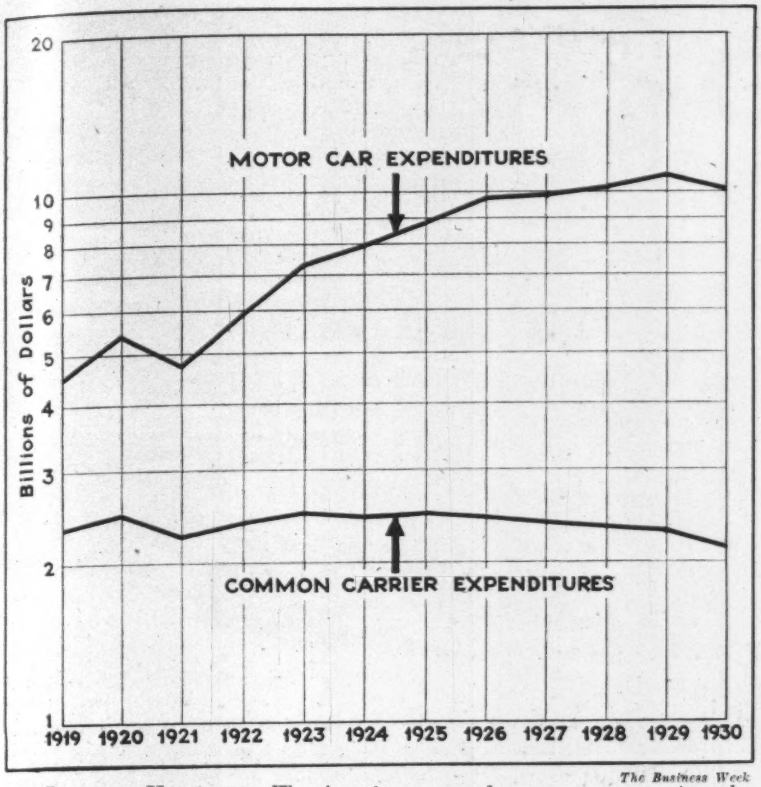
The outstanding feature of this 12-year record of transportation expenditures, as shown in the accompanying chart, is the rapid increase in expenditures for private transportation, mainly motor cars, while expenditures for common carrier transportation have remained practically stationary, with a tendency to decline in more recent years. In 1919, individual consumers spent about twice as much on all forms of private transportation as on travel by common carrier, but by 1929 they were spending about five times as much.

In the field of private transportation, of course, the motor car is the dominant factor. Particularly striking is the fact that the operation, maintenance, garaging and insurance of private automobiles have been costing almost twice as much as the new passenger cars purchased. With the increase of urban automobile ownership and of commercial garages there has been a marked de-

Table 1: Individual Expenditures for Transportation

(Millions of Dollars)

	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930
Motor Car—												
Operation and Maintenance	2,125	2,268	2,542	2,804	2,987	3,783	3,863	4,285	4,679	4,893	5,272	5,381
Garaging	325	395	450	521	647	742	840	923	970	1,026	1,105	1,106
Insurance	149	181	123	177	247	291	330	372	427	452	489	456
New Cars Purchased	1,521	2,058	1,272	1,993	2,880	2,580	3,007	3,511	3,034	3,334	3,778	2,418
Private Garages Built	190	242	119	146	181	138	123	107	92	77	68	33
Registration Fees	65	82	98	122	151	181	208	231	241	258	278	285
Gasoline Tax	1	1	4	10	31	64	119	150	207	229	324	378
War Excise Taxes	101	119	80	92	125	111	115	77	48	16	0	0
Personal Property Taxes	41	45	51	58	66	74	82	95	103	111	94	107
Total Motor Car Expenditures	4,518	5,391	4,739	5,923	7,315	7,964	8,687	9,751	9,801	10,396	11,408	10,164
Motor Cycles	47	47	31	33	35	33	27	26	24	22	20	17
Carriages and Horses	50	48	36	37	38	32	27	24	23	20	19	16
Motor Boats and Yachts	37	41	35	38	43	45	52	45	44	49	56	35
Total Private Transportation	4,652	5,527	4,841	6,031	7,431	8,074	8,793	9,846	9,892	10,487	11,503	10,232
Steam Railways	1,193	1,305	1,166	1,087	1,159	1,086	1,065	1,049	981	905	876	735
Electric Railways	1,753	1,800	1,661	1,820	1,846	1,830	1,803	1,770	1,704	1,641	1,617	1,525
Waterways	101	108	96	104	119	121	134	132	128	132	138	131
Motor Car Rentals, Taxicabs	29	32	41	66	80	85	97	103	108	119	124	113
Motor Buses	52	60	61	81	107	134	173	218	264	299	322	326
Airways	0	0	0	0	0	0	0	0	0	2	5	7
Deduction for Producer Expenditures	782	826	756	789	828	814	818	818	796	774	770	709
Total Common Carrier Passenger Transportation	2,346	2,479	2,269	2,369	2,483	2,442	2,454	2,454	2,389	2,324	2,312	2,128
GRAND TOTAL	6,998	8,006	7,110	8,400	9,914	10,516	11,247	12,300	12,281	12,811	13,815	12,360



The Business Week

OUR RESTLESS HERITAGE—*We Americans spend more money seeing the country than for clothes. Next to food and housing, travel is the biggest item in the family budget, with emphasis on the family flivver*

cline in the building of private garages for individual use, although this is probably accounted for partly by the increased tendency to combine garage and house. But the housing of cars costs money no matter where they are kept, and this is reflected in the rapid rise in garaging expenditures, which have more than tripled since 1919.

Although other types of private transportation are relatively unimportant, the decline in motorcycle expenditures and the tendency of outlay for motor boats and yachts to increase are interesting symptoms of changing consumer habits. The sharp decline in expenditures on horses and horse-drawn vehicles is about what might be expected, but the amount is still considerable.

In the field of common carrier transportation, the rapid falling off in passenger travel on steam railways is a well-recognized counterpart of the increase in the use of automobiles. Waterway travel has apparently been increasing, as likewise the use of motor buses, taxicabs and rented cars. Airway travel is relatively recent as an item in consumer expenditure, but has shown an amazing rate of increase, although it is still comparatively unimportant in the individual transportation budget.

Heavy Bond Load Beats Consolidation Coal Co.

PERHAPS the largest of all coal mining companies, certainly one of the two largest, the huge Rockefeller-controlled Consolidation Coal Co. has entered receivership after failing to pay June 1 interest on its bonds. Its funded debt is $25 millions; its assets are estimated at $83 millions.

Consolidation holds 2 billion tons of unmined coal, in 300,000 acres of fields in Maryland, W. Virginia, Pennsylvania, and Kentucky. Its output has been running as high as 13 million tons a year, marketed not only in this country, but also through London and Genoa.

The story of Consolidation is the epitome of the story of the bituminous coal industry. Adverse freight rates, declining consumption, disintegrating prices offset every efficiency and economy effected by highly intelligent management, so that the company showed a deficit in 1929. This was small—$300,000—but ominous. Last year, the deficit was $3 millions.

Standard Statistics some time ago predicted reorganization. Forecasts now are for an overhauling of capital structure. Operation will be continued.

New York Still Looks Like Whale of a Market

GOTHAM has shrunk in its own estimation, but not in the figures. Latest survey of the New York market, based on the 1930 Census of Distribution by a promotion and research group of the city's newspapers, credits its 0.25% of the country's area with 13.6% ($6,800 millions) of the country's annual retail trade of $50 billions. This sales volume, greater than that for the 9 states of Texas, Wisconsin, Kansas, North and South Dakota, Oregon, Colorado, Florida, and Georgia, works out to more than $2,300 a year for each of the metropolitan area's 2,927,457 families or $575.23 for each individual within 50 miles of City Hall.

177,000 Stores

These individuals spend their money in 177,000 stores, nearly half of which (73,000) are in the food group and account for annual sales of $1,828 millions or more than a fourth of the total for all metropolitan retailers. Between $800 millions and $900 millions annually are taken in by each of 3 other groups of stores—20,000 in apparel, 15,000 in automotive products and 7,000 in general merchandise lines.

New York is particularly proud of its wholesale trade. The survey reports a wholesaling total of $15,596,537,000 for the city alone and boasts that this is 3 times Chicago's $5,194,204,000.

How the City Works

From the same source, Washington has been recently digging up figures showing how and how much New York works—or did work in 1930. An analysis of the city's gainful occupations puts its workers at 46% of the 1930 population of 6,930,446, or 54% of the population over 10 years old. Of these workers 72.9% were males but only 6 of the 63 gainful occupations listed reported no female jobholders. There were no lady carpenters, stationary engineers, machinists, plumbers, stevedores, or longshoremen. Every other line had been carried by the feminine invasion. Women registered as brick and stone masons (2), building laborers (254), chauffeurs (85), cobblers (5), stockbrokers (211), clergymen (53), and turned up in many another "masculine" business. Of New York's married women 11.8% were gainfully occupied in 1930 against 9.6% in 1920.

Factory operatives—231,989 men and 143,593 women—comprised the city's largest occupational group. Listed separately were 41,052 factory laborers.

New York Building Strike Now Threatens to Spread

NEW YORK'S building trades wage dispute grows daily more serious. All construction has been halted since May 1 and there seems little likelihood of its starting up again soon. Now the situation threatens to develop a nation-wide strike of elevator constructors and a battle for the very life of all the building unions in New York. The last may follow the city employers' decision to operate non-union for trades which have refused to ratify the agreement signed 2 weeks ago by the Building Trades Council.

History of Dispute

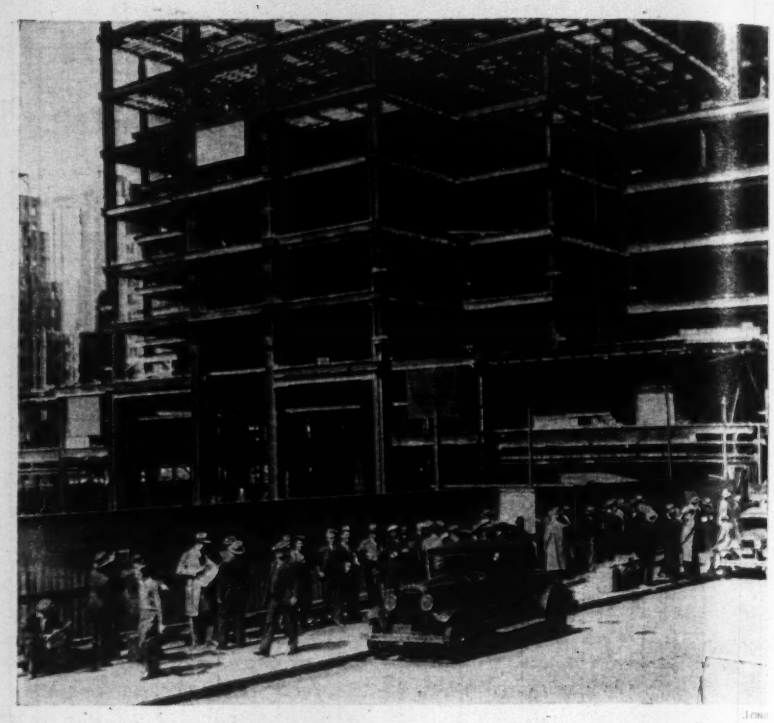
The argument has had a varied career. Prior to May 1, when old agreements between the unions and the Building Trades Employers Association expired, arrangements were completed for a new scale from 20% to 30% lower, but there was a last-minute special agreement by which elevator workers were to get better than scale wages. After 2 weeks' effort to increase all wages to this level, the union leaders gave in to employer demands and the Building Trades Council signed the new agreement.

Then, in an unprecedented move, 20 crafts refused to abide by the decision of the Council, and its president, John Halkett, reported that they were willing to proceed with negotiations, conciliation, or arbitration but that they "would not accept the brutal terms offered to us by autocrats who have thrown away the experience of half a century and who are in this case acting like tyrants without regard for obligations or for human welfare in any degree." And there they rested.

Where the Danger Lies

Last week the board of governors of the Building Trades Employers Association authorized its members to resume operations in defiance of the insurgents, which means that if the unions refuse to accede to the employers' demands, jobs of the affected trades will be operated open shop.

The danger in this plan lies in the fact that those trades which have accepted the new wage scales will scarcely stand idly by while the employers wage destructive war upon their trade union brothers. The first overt act on the part of employers to ignore the unions in hiring men is likely to precipitate strikes. These may be extended to projects which members of the Employers Association are erecting outside New York.



BUILDING BATTLEGROUND—*Radio City is one of the New York jobs where construction has been suspended since May 1 pending new wage agreements. Here, the once-strong building unions are making their last stand*

Employee Stockholder Has Been Lucky If He Can Break Even

THE story of what has happened to employee stock ownership plans in 2½ years of business depression and stock deflation can now be told. The Industrial Relations Section of Princeton University has brought up to date, for the first quarter of 1932, information regarding the plans of 20 representative companies about which it has made similar studies in the past.

These companies are all large ones, but stock ownership for employees has been most encouraged among large companies. Included are 2 each of steel, public utility, railroad, and automotive concerns; 4 oil companies, 7 miscellaneous manufacturing organizations, and 1 store chain. During normal times these 20 companies employ about 1½ million persons.

Of the 20 employee stock plans in operation in 1925, 5 are now definitely discontinued, in 5 others no recent offering of stock has been made to employees. In 2 companies new arrangements for distributing stock have been made. Two companies have paid no dividends for 2 or more years, one stopped paying in 1931, 4 others passed them in 1932.

In all cases stock prices have declined drastically but up to the most recent declines in 1932, subscribers to most plans were protected from heavy losses by bonus provisions. Only 5 plans fail to offer a bonus to employees who buy stock and keep it for 5 or more years. These vary from $7.50 payable over 5 years for each share of stock held, up to $4 a year for 5 years. An oil company pays a 25% bonus at the end of the purchase while 3 other oil companies pay 50% bonuses when stock subscriptions are completed.

In nearly every case stock sold to employees during any year was priced within the range of stock prices for that year. Three companies sold their stock below market prices throughout the period covered while 3 others were able to do so in every year except 1931 when declines were so rapid that plans could not be changed quickly enough to keep up.

Nine of the companies are still paying regular dividends, 4 paid them regu-

larly up to 1931. In at least 5 of the plans employees can cancel their subscriptions and receive their payments with interest. Such a policy, of course, is the most certain way to protect employees against loss through declining prices, but the presence in some other plans of bonuses, stock rights, and similar credits makes it likely that the employees have suffered little, if any, by decline of stock prices during the last year or two; that is, their equities at least represent their own payments plus normal interest.

The Smaller Plants Have Cut Pay Most

THE study of wage and salary cuts made by 1,718 concerns since 1929, recently completed by the National Industrial Conference Board (*BW—May4'32*), provides the first comprehensive picture of how employers have used personnel changes to meet depression conditions. The concerns surveyed had 3,259,000 employees in 1929, 16% of the total gainfully employed in 6 major fields of industry. Employment in 1932 in these concerns was 2,391,000, 26.6% lower.

Executive salaries have been reduced by 80.5% of these plants, routine salaries by 81%, wages by 75.4%. The decline in employment since 1929 for all companies which have not cut wages has been only 14.7% compared with 26.6% for all companies. Either especially difficult conditions force some plants to make drastic cuts in both wages or personnel or the other plants have superior managements. Further study of the detail data to determine the exact reason for this correlation might be very useful to managements everywhere.

To determine the real effect of reductions the board has compiled weighted averages in which the percentage reduction of each company is multiplied by the number of employees affected. On this basis, the simple average reduction in executive salaries is 20.4%, the weighted average 14.9%; for routine salaries the simple average is 15.9%, the weighted average 13.1%; for wages the simple average is 13.9%, the weighted average 11.1%. The fact that the weighted average reduction is lower in each of these groups than the simple average indicates that, generally, smaller companies have cut wages and salaries more severely than large ones.

Reports from 88 unionized plants indicate that wage policies there differ little from those in open-shop concerns.

A NEW CONVENIENCE FOR BUSINESS EXECUTIVES

a "private office" for your exclusive use at the HOTEL NEW YORKER

Now you can transact business in New York just as though you were back in your own office. The Hotel New Yorker's new service provides every facility. (See detailed description below). ¶ You may rent your "private office" at the New Yorker by the day, week or month. The cost is very moderate, as *all* New Yorker charges are — $3.50 a day and up. Arrange for this new service next time you're in New York. See for yourself how much *more* you can accomplish — how much time and effort you save.

NOTE THE MANY ADVANTAGES!

- Quiet and uninterrupted privacy.
- Secretarial service or private secretary, if desired.
- Reception room for your callers.
- Message service.
- Private bath with your office.
- All the services of a great hotel, including 30-minute valet service, one-day laundry service, four restaurants, barber shop, transportation bureau, theatre ticket bureau, etc.

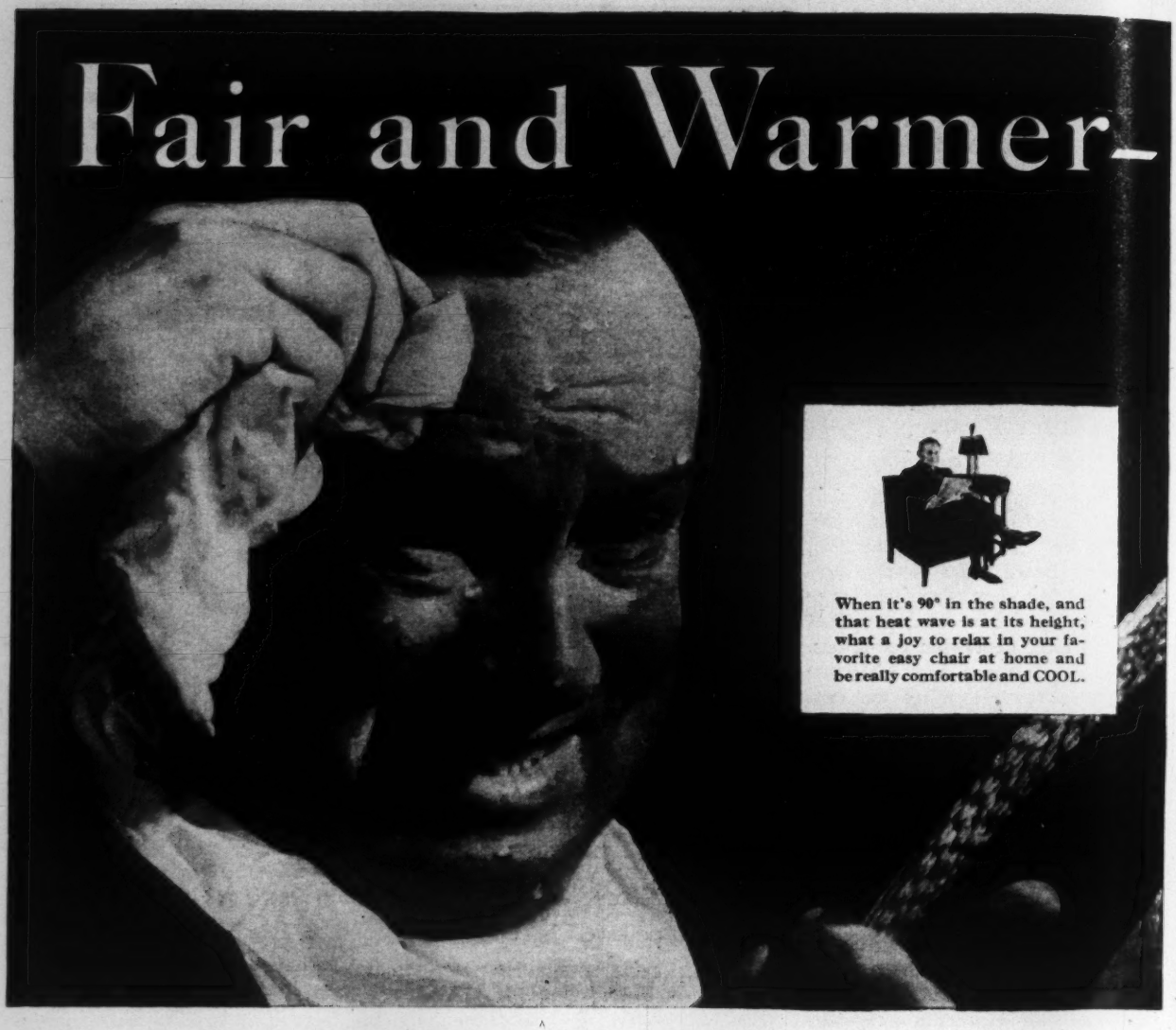
2500 ROOMS...$3.50 AND UP

HOTEL NEW YORKER

34th Street at Eighth Avenue, New York • Ralph Hitz, President

BOOK CADILLAC HOTEL, DETROIT...also under Ralph Hitz direction

Fair and Warmer—



When it's 90° in the shade, and that heat wave is at its height, what a joy to relax in your favorite easy chair at home and be really comfortable and COOL.

Fuel Savings, too—
from 35% to 50%

"My house heating plant was reduced by nearly 50% in size."
LORING L. MARSHALL, *Boston, Mass.*

•

"The two large third floor rooms are now as warm as toast."
FRANK R. HUBACHEK, *Glencoe, Ill.*

•

"I have noticed a saving of 50% over November of last year."
GORDON KENNEDY, *Washington, D. C.*

•

"I have already saved about 35% of my previous oil bills."
PAUL FERNALD, *Chicago, Ill.*

•

"We have received more solid comfort and satisfaction from J-M Home Insulation than any investment we have ever made."
MRS. H. B. KINNARD, *Des Moines, Iowa.*

Cool Weather... blown through a hose

Practically all houses have hollow walls. Circulation of air *within* these walls chills the house in winter, heats it in summer. Comfort is lost, fuel wasted. Uninsulated roofs or attic floors are equally to blame. Heat or cold readily penetrates through.

Yet the 4- to 6-inch air spaces within the walls, within the attic floor—the real cause of heat and cold trouble—are easy of access. Why not fill them up? Completely—with a thick, solid, really efficient insulation?

That's exactly what Johns-Manville does in a few hours. Rock Wool insulation is blown through a hose as pictured here—into all the empty, leaky spaces in your house. *Here is the only really effective barrier against heat and cold.*

says the weather man

Fair and Cooler—

says Johns-Manville

Your home can now be 8° to 15° cooler in the summer, warmer in the winter—*with a radical cut in fuel bills*—by means of J-M *Triple Thick* Home Insulation

DES MOINES, IA., July 14, 1931. 90° in the shade. Tar melting in the streets, trees scorching in the sun, homes like bake ovens. "Still hotter tomorrow," sadly reports the weather man.

—"but Mrs. Hadley and I were surprised to find that even the third floor of our house was decidedly cool," writes B. F. Hadley, of the same city, to Johns-Manville.

—"heretofore our upstairs rooms have been unbearable . . . now they are remarkably comfortable," announces Wm. D. Kyser, Memphis, Tenn., while Memphis sweltered.

—"by actual test, the temperature was from 18° to 20° lower inside our house than outside in the shade," confesses John C. Mundt, Sioux Falls, South Dakota.

What's this! Has Johns-Manville gone into conflict with the weather man? Can J-M dare a "Fair and Cooler" when his most reliable instruments say "Fair and Warmer—continued warm"? Who's "running" the weather these days, anyway?

Johns-Manville, as far as *you* are concerned — as far as the *comfort* of *your home* is concerned. And that's that. The weather man has no redress.

It's here—installed and proved in thousands of homes during the last 4 years. Perfected by Johns-Manville as a result of pioneer work in efficiently insulating great industrial plants.

—A new method of making houses practically heat-proof and cold-proof, a method that is creating a sensation wherever it is tried.

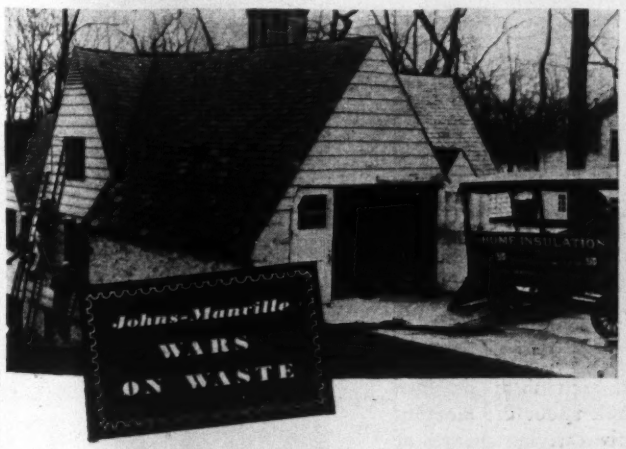
What is it?

This new method is J-M *triple thick* Home Insulation. Here is a unique process of blowing—by means of a pneumatically operated hose—long, fine, fleecy fibres of rock "wool" into all the empty spaces of your home—the outside walls, in and on the attic floors, under the roof. Unlike other methods, J-M Home Insulation *completely* fills up these empty spaces, gives you a *thick*, well-packed, 4- to 6-inch protective "wool blanket" around and over all your rooms.

What does it do?

J-M Home Insulation makes your home from 8° to 15° cooler in hot weather. Stifling sleeping rooms, third floor rooms, living rooms—rooms that would otherwise be hot and stuffy, become refreshingly cool and comfortable. But this is only one advantage. J-M Home Insulation reduces fuel bills in the winter—as much as 50%, on an average of 35%. It also lessens the fire hazard. *J-M Rock Wool will not burn.*

If you are interested in further details, read all of this advertisement carefully. It tells you the things you want to know. Then drop a line to Johns-Manville, 292 Madison Ave., New York City. Suggest that the nearest Home Insulation Contractor call to see you. He has only two things to sell. COMFORT —and ECONOMY.



Done in a "jiffy". . . without fuss or bother

The J-M Home Insulation truck drives up. From this truck the hose is run to your house. J-M Rock Wool is blown dry directly from bags in the truck to the air spaces within the walls of the house. That is all there is to the job. No fuss or bother. A day or two and it is finished. And the entire job is done outside the house. Nothing within is disturbed. The hose method does away with litter and bother of any kind. Delicate shrubbery is not marred. Lawns are scrupulously guarded. Only *skilled men* do the work.

Johns-Manville

JM

Controls
HEAT, COLD, SOUND, MOTION
Protects against
FIRE AND WEATHER

Chile's Socialist Shift Is More Than Just Another Revolution

Whatever the outcome, it is evidence that "Cosach control" is drawing to a close in South America

THERE are fewer than 5 million Chileans and their country is scarcely twice the size of California, but they did a thorough job of frightening world business when their rebel junta overthrew a constitutional government and announced that the country would become the "Socialist Republic of Chile."

In general, that part of the world which follows Latin American affairs was not surprised by the upset in Santiago. Since the overthrow of President Ibañez last year there has been political uncertainty. Actually, few observers expected a strongly socialistic government and the prospect now has created fresh worries in London and New York.

Revolutions in Latin American countries are nothing new. Yankees have come to see them in their true light in recent years—as the Latin way of changing governments when it seems to the electorate that a change of government is a good thing. In most cases there is comparatively little rough stuff, sometimes less than in a normal election in the non-Latin republics of the world. And foreign business interests dealing in Latin America are familiar with the scheme of things, for it is not new.

Sure to Affect Us

However, if the Socialist régime stands in Chile, and if it carries out even a part of the announced policies (many of them conflicting) which have been discussed by various members of the new ruling committee, it can affect important foreign business interests. Americans, for example, have more than $700 millions invested in the country. British, German, and French finance is also involved.

Chilean bonds (government, or government-guaranteed) held in the United States total more than $275 millions. Since the Chilean government declared a moratorium on foreign service charges last year, bond prices have sagged. Unless the present move definitely brings in a Socialist government which repudiates the old government's obligations, there will be small change in the status of the bond holdings of foreigners.

Commercial investments by Americans, however, are estimated by Washington to total $440 millions. Major holdings are in nitrate (Cosach), and copper (Anaconda and Kennecott). Other large investments have been made by the International Telephone & Telegraph Corp., American & Foreign Power Co., and the Grace Line which serves Chilean ports from New York.

Chilean nitrate, for years the outstanding business in the country, is suffering acute depression now along with the nitrate industry throughout the world. Production far exceeds demand, prices are demoralized, and the increasingly unfavorable condition of the farmer precludes the possibility of any early pickup of business.

Chaos in Cosach

Affairs of Cosach, the name under which the Chilean industry was recently reorganized to include all of the major producers of nitrate and to place the entire production on a mechanical basis utilizing the new Guggenheim methods, have been in a chaotic condition. The new process, while it might prove profitable in a time of heavy world demand, is suffering now from over-capitalization. Bond interest was defaulted recently and British and American bondholders have organized to protect their interests. The British particularly are accusing the officials of the company of unfair manipulation during the reorganization.

Chile looks at the affair from another angle. Under the old process, practically all of the work was done by hand. Vast numbers of workers were employed. Whole communities thrived in the northern desert region of Chile where the nitrate deposits were located. When the new process was developed, vast numbers of employees were thrown out of work. A handful of men can do now what hundreds did before the industry was mechanized. It is the claim of Chilean labor (which is organized and makes its voice heard) that not only are vast numbers of men thrown out of work under the reorganization, but that the carrying charges of the new $375-million concern are so large that the country cannot possibly produce in competition with the synthetic industry. Other claims against the reorganizers are yet to be aired. Whether the Socialist group remains in power, or the country returns to a constitutional government, it is thought that continued agitation in Chile is likely to force a reconsideration of the entire Cosach organization.

It is too early to know whether to expect the present government to remain in power, whether Chile may be expected to follow in the path of Soviet revolt. It is certain that economic distress is likely to stir further trouble in more than one Latin country where foreign capital dominates. Business, for the time being, can do little but sit tight and hope that its investments will not go entirely to pot.

One further warning can be gathered from the affair. Foreign capital has exploited Latin America for 300 years. Since the first republics were established, this exploitation has been curbed, but slowly. More recently Mexico has been firmly developing a policy of saving Mexico for the Mexicans. Foreign capital is welcome but only when it demands no more than a reasonable return. Chile may decide to go the whole way, confiscate foreign property, set up state capitalism. It is more likely that whatever government comes into power it will adopt a moderate course leading to a wider control of natural resources.

International News

RECOGNIZE HIM?—*Dr. Carlos Davila, former ambassador to the United States, is now Provisional President of Chile*

Hope That Reich Will Pay Fell With Bruening

EUROPEAN NEWS BUREAU (*Cable*)—The Bruening government is gone in Germany and with it much of the hope of the financial world that Germany would continue to maintain service charges on commercial obligations abroad. It has been increasingly evident in recent weeks that the country was approaching the point of commercial insolvency but the public, at home and abroad, had come to place in Chancellor Bruening a sort of superconfidence.

Hands Off Currency

The business outlook has turned definitely more pessimistic as a result of the sudden shift of government. In Berlin, it is quite evident now that the new Von Papen regime is an interim government designed to function only until new elections to the Reichstag take place at the end of July. It is known too that Von Papen has promised not to interfere with currency problems. And the stoutest enemy of the capitalist-military group now heading the government has had to admit the unusually high calibre of the new cabinet. Still the prospect is gloomy.

In spite of all the concessions which the Bruening government was forced to make in the last 2 years because of the seriousness of the crisis, it never once admitted any weakening of its determination to provide a way for Germany to meet its commercial obligations. Each of the emergency decrees which the government issued was framed with this intention. Little by little the standard of living in Germany was reduced as imports were curtailed, exports forced; domestic interest rates were cut, then the rates charged by certain foreign creditors; wages were reduced and then prices cut drastically under the supervision of a "price dictator." The Bruening cabinet was finally ousted because of a plan to seize the large estates of the junkers and parcel them out to the unemployed. Hindenburg, himself a junker, refused to back the government longer.

Why does foreign business view the situation pessimistically?

Call for Herr Hitler

With Bruening out, whether or not the interim government pursues any policy of its own, every prospect points to a Nazi majority in the Reichstag elections. Hitler is pledged to a policy of meeting commercial obligations but confidence in his ability to cope with the present situation is not deep-rooted;

A trip through a "5 and 10" reveals sixty articles made of COPPER and BRASS

A WALK through a store of a famous chain that features merchandise at ten cents or less, recently revealed that more than sixty different articles of Copper and Brass were offered for sale. These items, some of which are herewith shown, range from Brass candlesticks to Copper weather strips, from Brass curtain rings to Copper and Brass switch sockets.

The public has always recognized the durability of Copper and Brass and has become steadily more aware of the wastefulness of rust—a condition that promotes greater salability for the product made of these efficient, long-lived metals.

Today, metallurgical advancement brings industry special Copper-alloys which widely broaden the range of their application. . . . Copper-alloys which possess extremely high strength, corrosion-resistance, high fatigue limit, ductility, exceptional welding characteristics. . . . Copper-alloys, though costing more for stock, that can be machined so much faster that products can be made from it at less cost. . . . Others can be stamped, spun and drawn with considerable production savings as compared with materials which may cost less, but which are also less adaptable to the process of manufacturing.

Perhaps there is a Copper alloy which would make your product cost less to produce and which would offer a better selling force for public consumption. We will gladly cooperate in determining the most effective application of Copper, Brass and Bronze to your needs.

COPPER & BRASS
RESEARCH ASSOCIATION
25 Broadway New York

TIME HAS PROVED THE SERVICE OF COPPER, BRASS AND BRONZE

Make a Salesman of your Package

TODAY, more than ever, business needs the help of packages that *sell.*

A marked increase in sales is often achieved merely by giving the package a finer appearance and greater attention-value . . . The assurance of freshness through better package-protection may give a product a decided advantage over competitors . . . And frequently a package which permits the buyer to "see the product" through a transparent wrapper will put new life into a slow-moving item.

We have worked closely with the leading package goods manufacturers for the past 29 years, devising better forms of packaging and supplying the machinery to do the work. We will be glad to assist you in making a real salesman of your package—or to help you lower your costs. Get in touch with our nearest office.

PACKAGE MACHINERY COMPANY
Springfield, Massachusetts
New York Chicago Los Angeles
London: Baker-Perkins, Ltd.

PACKAGE MACHINERY COMPANY
Over 200 Million Packages per day are wrapped on our Machines

and he is antagonistic to Versailles and reparations and likely to rouse French antagonism.

Germany's only means of meeting foreign obligations depends on maintaining an export balance. In April the balance dropped to $11 millions. Berlin expects it to dwindle further in May.

The credit of $90 millions which the Bank for International Settlements, the Bank of France, the Bank of England, and the Federal Reserve Bank still carries will need to be amortized another $10 millions on Sept. 3, causing an additional drain on the Reichsbank. The Reichsbank holds little more than $230 millions in gold now.

Within the last few weeks the basic issue in Germany has come to be monarchism vs. republicanism. Hitler has a long majority as a result particularly of his last 2 years of campaigning. The old military crowd in Germany, however, has now found its voice. Schleicher, the real brains behind the present Cabinet, is an able leader. He may offer vigorous opposition to Hitler in the interim before the elections.

Our Interests Abroad: Ford, Films, Wheat

AMERICAN interests were influenced by a number of developments in Europe this week:

Germany: The German Ford Co., which completed its new $6-million plant at Cologne just as the depression was reaching its peak in Germany, reports a loss of $670,000 for 1931. Principal creditor is Ford of Dearborn to whom $4,700,000 is owed for machinery and equipment furnished. The depression has prevented funding of this debt.

Sweden: The Ford Motor Co. has made application to the Swedish government to carry on industrial activities in the free port of Stockholm. It is rumored in Stockholm automobile circles that the company intends to assemble its cars in Sweden instead of in Copenhagen because of the spread between the duty on parts for assembly and on finished cars in the Swedish tariff schedules. General Motors now is the only automobile manufacturer with sufficient assembly facilities in Sweden to benefit from the new low rate for imported parts.

American motion picture exports may be severely affected by the recent action of the Swedish government increasing the duty on imported developed

films 2,000%. So far, the majority of feature films imported into Sweden have been of American origin. During the last few years, however, the competition from domestic and German motion pictures has increased considerably. It is likely that Americans will attempt to overcome the heavy duty by importing negatives for development in the country.

Greece: Russian wheat is displacing American in the Greek market as shown by following Greek import figures for wheat, in metric tons.

Year	*From U. S.*	*From U. S. S. R.*
1930	309,000	31,000
1931	175,000	144,000
First Quarter		
1931	46,000	43,000
1932	48,000	51,000

Wheat represented nearly 30% of total U. S. exports to Greece.

France Relents; To Give Us Even Break on Quotas

THE French, on second thought, have decided to award the United States more equitable treatment under the import quota system which Paris has developed.

Instead of basing quotas on imports in whichever one of recent years the volume coming from the United States was smallest, the government in Paris has promised now to treat us on an equal footing with all other nations. And instead of refusing to invite representatives of American industry to attend the conferences at which the quotas are determined, the French will now play impartial host. German and British manufacturers are still at a slight advantage because they are so near and so well organized to handle just such trade problems. But American manufacturers can now attend and that is all they demand.

French quotas have been established for a 3-month period since in January. American protests were vigorous as discrimination became increasingly evident. The American Chamber of Commerce in Paris spoke vigorously and, when the French paid little heed, got directly in touch with Washington and the President.

The move is significant. It is a step toward better trade relations with France. It will give a number of American industries an opportunity to profit from years of constructive advertising and selling to the French. It does not, however, mark even the beginning of the removing of the quota system which is throttling trade throughout the world. That will require further conferences.

GALVESTON
PORT AND PLAYGROUND

TREASURE ISLAND... One-time headquarters of Jean Lafitte . . . Summer and Winter Resort on the Texas Riviera . . . A fine ocean beach . . . Famous Seven and one half-mile Sea-wall . . . Limitless attractions for the vacation visitor . . . Here are facilities for boating, driving, golfing, riding and fishing the year 'round and here is one of the finest beach automobile speedways in the world.

Pretentious hotels line the drive and promenade atop the Sea-wall . . . A magnificent causeway connects Treasure Island with the Texas mainland.

Galveston is one of the country's foremost deepwater ports with 37 piers accommodating more than 100 ocean-going vessels; 245 miles of wharf trackage; the country's largest export grain elevator, capacity 9,000,000 bushels; more than 4,000,000 square feet of enclosed storage space; 1,927 ships entered the port during the year and 3,390,085 tons of freight passed over its docks . . . This port and playground and Texas City, on the mainland, the "Port of Opportunity" are served by the

MISSOURI PACIFIC LINES
fast freight and passenger trains to the North and East thru the St. Louis, Memphis and New Orleans gateways; to North and West Texas and California; South Texas and Mexico; and East Texas and Louisiana-Arkansas.

DEPENDABLE FREIGHT AND PASSENGER SERVICE

MISSOURI PACIFIC LINES

"A SERVICE INSTITUTION"

MISSOURI PACIFIC LINES ALSO OPERATE
MISSOURI PACIFIC STAGES
BUS SERVICE NORTH · SOUTH · EAST · WEST

Hot News!...*your competitor*

McGRAW-HILL

New York · Boston · Philadelphia · Washington · Greenville

Business men, industrialists and engineers regularly read the McGraw-Hill Publications. More than 3,000,000 use McGraw-Hill books and magazines in their business.

Radio Retailing
Food Industries
Chemical & Metallurgical Engineering
Electrical World
Electrical Merchandising
Electrical West
Electronics

has crippled his sales force for the summer

You'd certainly think your competitor was giving you "the breaks" if you heard *that!* Yet when he cuts out his summer advertising, that's exactly what he's doing . . . robbing his salesmen of their chief support.

That gives you *your* chance—not only to hold your present customers but to win new ones from him. For the manufacturer who fails to advertise throughout the whole summer quarter obviously risks his hold on his customers. He gives you a chance to "cut in" on his market.

Who dares to say: "This summer market isn't worth going after?" In summer, thousands of factories are working to meet the needs of the autumn and Christmas buying seasons—in many lines the period of peak sales. In summer as in winter, even in this depression, over twenty million families are still actively buying . . . and creating a demand for replacements.

That's good reason, then, for bold advertising action in summer. Back up your sales force with aggressive advertising. Take business away from timid or slothful competitors. You want to do business the year round.

Then make your prospects remember that your product is worth buying *in summer as well as in winter.*

If you are selling to business and industry, the McGraw-Hill Publications offer you the media for that advertising—at a most reasonable cost. Here waste circulation is virtually eliminated. Only the important business men, industrialists and engineers are reached through these papers. But they're the only ones you want to reach. They're the only ones who'll sign these buying orders for business and industry . . . *this Summer.*

* * *

Because we have faith in advertising and in our ability to sell in the summer, we are continuing our own advertising every week. We started this advertising a year ago—and we are glad that we did. Fighting against the tide, we more than held our own ranking.

So we announce to business men who use advertising—and to others who *should* use it—that we are not only open for business in July, August and September, but that we are out after it. And we hope that they are, too!

PUBLISHING COMPANY, Inc.

Cleveland · Detroit · Chicago · St. Louis · San Francisco · Los Angeles · London

American Machinist
Product Engineering

Engineering News-Record
Construction Methods

Engineering and Mining Journal
(*Domestic and Export Editions*)

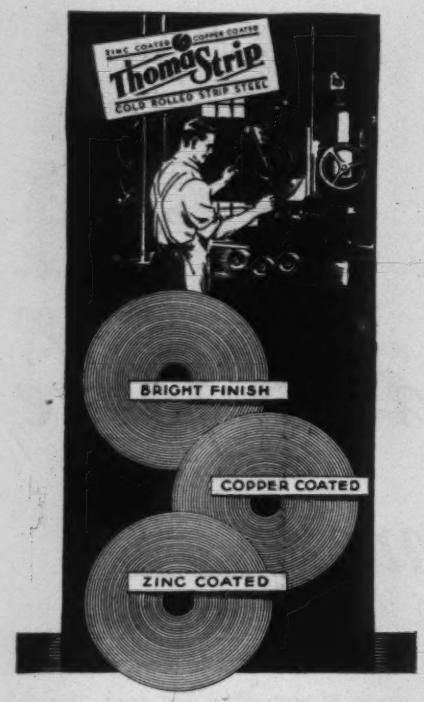
Metal and Mineral Markets
Coal Age

Transit Journal
Bus Transportation
Aviation

Textile World

Factory and Industrial Management
Maintenance Engineering
Power

The Business Week
Management Methods



SOLVING SALES *and* PRODUCTION PROBLEMS . . .

TO REDUCE COST, to speed production, to improve products, to increase sales appeal—whatever your production or sales problem may be—very likely the use of Thomastrip in the fabrication of your product will quickly solve your particular problem. ● Thomastrip is specialized production cold rolled strip steel made to individual requirements for finish, ductility and size—uniform always. ● Investigate the adaptability of Thomastrip to your needs. Without obligation, a Thomas representative will gladly analyze your needs and prepare recommendations.

Send for Test Samples . . . Specify width, gauge and finish

HEADQUARTERS FOR SPECIALIZED PRODUCTION COLD ROLLED STRIP STEEL

The THOMAS STEEL CO.
WARREN OHIO

Wide Reading

AMERICAN SPIRIT IS RETURNING. Chard Powers Smith. *Scribner's*, June. A forecast of revolution—but in a new form, and bloodless. American democracy foresees a new collectivism which still respects the individual.

HUNGRY. Lauren W. Gilfillan. *Forum*, June. One of the season's best accounts of conditions in the Pennsylvania mining district. Vivid, real, enlightening.

WHERE BANKERS DO NOT FAIL. Horace F. Pomeroy. *Commerce & Finance*, June 1. Canada's banking structure has shown unusual strength in the face of world depression.

THE EQUIPMENT OF AIR FORCES. Edward P. Warner. *Aviation*, June. Military demands for planes are greater than commercial. In 1932, military markets promise to be fully two-thirds of the total. Technical demands for these planes forecast much in the future of commercial aviation.

THE FARMERS SEE RED. Walter W. Liggett. *American Mercury*, June. Farmers are being separated from their land in this country as ruthlessly as they have been in Russia. American "confiscation" takes the form of a foreclosure. A graphic warning to business—and to politicians. Another evidence of a need for planned economy.

THE BANKER'S MOVE. K. H. Condit. *American Machinist*, June 2. With their position secured by Federal Reserve action, the responsibility of the banks for aiding industrial recovery is clear.

IF THERE WERE NO PROHIBITION. *Fortune*, May. Economic arguments for and against repeal.

PAYING FOR THE AIR WE BREATHE. *World's Work*, June. The story of air-conditioning, likely to become a major industry.

ROCK-BOTTOM RESPONSIBILITY. Robert F. Wagner. *Survey Graphic*, June. The New York senator argues for unemployment insurance, cites experiences in Europe, and sums up plans operating in this country.

A PLAN TO CREATE NEW BUSINESS FOR THE ARCHITECT. Arthur B. Holmes. *American Architect*, June. A plan providing steady income from a large volume of small fees to supplement returns from large commissions.

THE GREAT DIAMOND SWINDLE. Herbert Asbury. *American Mercury*, May. A true historical yarn, but not without pointers to speculators, promotors, and investors. Told frankly and vividly

THE MERCHANDISING TOUCH IN PACKAGE DESIGN. *Printers' Ink Monthly*, June. Seven experts—Dreyfus, Switzer, Nash, Arens, Dreyden, Sheldon, Teague—point out the merchandising features that packages should incorporate.

EDWARD L. BERNAYS. John T. Flynn. *Atlantic*, May. Philosophy of a publicity agent. How he works, and why.

ULTRA-VIOLET RAYS PREVENT MOLDING OF BREAD. W. L. Owen. *Food Industries*, June. Bread and cake, especially when wrapped, are excellent media for mold growth. Experiments with ultra-violet rays show what can be done to remedy the situation, suggest possibilities for utilization in other food-processing industries.

THE FIGHT FOR EMPIRE UNITY. J. B. Maclean. *Maclean's Magazine*, June 1. A Canadian looks at the pending Ottawa conference and sees many reasons for its failure and some for its success. Perhaps Empire trade is less valuable to Canada than trade with the U. S.

IMPERIAL CONFERENCE THREATENS U. S. WITH LOSS OF LARGEST AND NEAREST CUSTOMER. J. A. Stevenson. *Magazine of Wall Street*, May 28. The United States' point of view regarding the possible outcome at Ottawa.

THE WHEAT BELT LOOKS SEAWARD. Wayne Gard. *North American Review*, May. Farmers in the Middle West still see hope for prosperity if the St. Lawrence shipway is completed, if Hoover enthusiasm can bring ocean-going ships to Duluth and Chicago.

RUSSIA ENTERS THE CANNING BUSINESS. *Food Industries*, June. The Soviets are rapidly developing an enormous canning industry. Equipment and methods are being imported from the U. S. If they can sell their first products, the Russians may become large buyers of the products they are not yet equipped to can at home.

THE WEST IS DIFFERENT. Joanna C. Colcord. *Survey Graphic*, June. The West still pioneers. Unemployment relief has been tackled in new ways. Public works projects that cost little beyond the relief wages given to labor.

THE CONSUMER—VICTIM OF CHAOS. Colston Estey Warne. *Scribner's*, June. Battling giants of business create shambles of distribution costs which sap buying power. How we can get out of this mess. For the distribution-minded executive.

AN HONEST PARTY PLATFORM. William Hard. *Forum*, June. What is demanded in an ideal platform. A criterion on which to base judgment of the developments at this month's conventions.

TOWARD UNEMPLOYMENT INSURANCE. Clay P. Malick. *Current History*, May. How we have moved toward a standard system.

WHAT PRICE FARES? John A. Beeler. *Transit Journal*, June. Summary of fare trends on street railways over a period of 15 years.

BOOKS

BANANA GOLD. Carleton Beals. Lippincott, 366 pp., $3. Central and South America—where Spanish politicians rule by revolution and graft with the aid of American loans.

HOME FINANCE AND TAXATION. President's Conference on Home Building and Home Ownership, Washington, $1.15. Second volume of report including discussions of financing home ownership, home loan discount banks, taxation and housing.

OWEN D. YOUNG. Ida M. Tarbell. Macmillan, 353 pp., $3. Biography of the industrial leader by the famed authoress of Standard Oil history.

Here's an 8 billion-dollar-market intelligence test . . . . .

What's YOUR score?

WHAT has happened to the Nation's jewelry bill since the war?

Are "legal liquor" sales up or down?

Are we still "joiners"? What do the badge and emblem sales say?

Which does depression hit harder: Man's barber shop or woman's hairdressing and beauty parlor?

Which are the boom years for shoe repairing?

Do depressions affect the hand laundry? The valet service? The cleaner and dyer?

How have comb and hair-pin sales fared since 1919? Pipe and smokers' supplies sales?

Directly or indirectly, the answers to questions like these vitally affect your business. For personal expenditures form the fourth largest item in the American consumer's budget. Yet how many of these questions can YOU answer...correctly...without guessing? Try it. Jot down your answers. Then compare them with the facts revealed in the ninth article on "The American Consumer Market" in the next issue of *The Business Week*.

You needn't be ashamed of your score, either. Up to now, even the best-informed business men, with all the available market studies at their finger-tips, have been lacking this information. For never before have *all* the expenditures of *all* the consumers for *all* the years from 1919 to 1930 been presented in a single, complete, accurate study.

The Business Week is presenting this study in a series of twenty weekly articles. The above mentioned article on personal expenditures is the ninth in this series. Read it . . . and read all the others. No matter what your business, this series will lead you to a better understanding of its sales problems.

THE BUSINESS WEEK

330 West Forty-Second Street New York City

Where are the Consumer's Dollars Headed?

You'll find the answer in the series of 20 studies of "The American Consumer Market" now running in *The Business Week*.

Business Abroad—Swift Survey Of the Week's Developments

Last week's rally on major markets has been only partially sustained. . . . Stabilizing developments this week include the prospect of a balanced budget at Washington, naming of a liberal cabinet in France, and the prospect that Germany's interim government will attempt no radical policies. . . . Lausanne seems doomed to failure, and as a result small hope is placed in the London conference. . . . Japan's aggression in Manchuria no longer hides the desperate economic situation at home, particularly among the farmers. . . . No pending event is more significant than the Lausanne reparations talks, still scheduled to begin June 16.

Europe

EUROPEAN NEWS BUREAU (*Cable*)—A number of current developments, dominated by the prospect of a balanced budget in Washington, helped to improve Europe's business outlook the latter part of last week. Stock markets generally showed some improvement, and confidence in the dollar returned.

It has not lasted, however, indicating that the rally was pretty much a technical one without sufficient force behind it to withstand the unfavorable developments of the present week. Notable among these is the unsettlement which usually precedes a great international conference. In this case, the prospect that the Lausanne conference, still scheduled to be convened June 16, will be a failure has increased the pessimism. If Lausanne is fruitless, and the prospects are certainly not encouraging, it will be futile to attempt a world economic conference at London. Reparations and debts need to be gotten out of the way, and tariffs must be included in any project to set economic conditions in order.

From the strictly business point of view, stock markets during the week, after losing only a little of their recent gains, began to soften appreciably. The influence of Wall Street is again becoming more pronounced.

Commodities prices are also down, except wool.

The feature of the foreign exchanges has been the recovery of the dollar over the gold export point, though it is noticeable that forward discounts are still wide. Evidently money markets look on the current strength as technical and transient.

Unemployment is on the gain again, even in Britain where it has been fairly well controlled for some months. In Germany, the relief situation is becoming critical as the cities run out of funds and the number of applicants for aid increases.

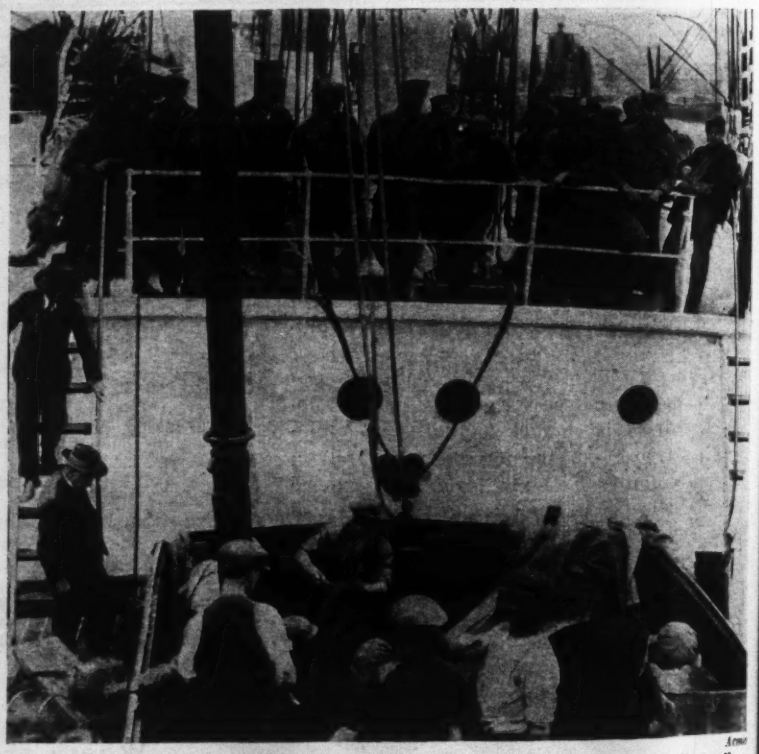
Franco-German Relations

Formation of the Herriot cabinet in France and the pronouncement of a mild policy with special attention to some kind of rapprochement with Germany is the most encouraging development of the week. The political and fiscal crisis in Germany is still a source of alarm, along with the aggravation of the Austrian and Hungarian situations, the epidemic of insolvencies in the British cotton and non-ferrous metals trades, and the unsettlement in Winnipeg wheat.

Several other developments are watched as mileposts on the road to European economic collapse or recovery. Creditor countries have not yet agreed on the proposed $20-$30 million relief credit for Austria. It is felt generally realized that the credit can do little more than postpone the Austrian collapse for a few weeks. Permanent benefit can come only after radical changes are made in trade conditions and the prospect that the London conference, if held, will not consider tariffs makes any further loans seem futile.

Creditors of the Credit-Anstalt, whose collapse a year ago precipitated the crisis in Europe, are again at a deadlock in their negotiations. It is rumored there will be a declaration of bankruptcy in which case the present deficit of $100 millions would practically wipe out any chance of recovering credits which have been granted in an effort to keep the institution afloat.

Lausanne seems doomed even before it meets. There is nothing to indicate that, behind the diplomatic scenes, London, Paris and Berlin are in touch with



ECONOMICS OF ROMANCE—*The Swedish barque "Abraham Rydberg"—124 days out of Wallaroo—is the first to make port in the annual Australian grain race to England. This year, more than a score of square-riggers took the opportunity to make a little money. Old, uninsured, manned by boys, their charges are lower than steam. Romance is cheap*

each other, that they are holding the conference privately in rehearsal in order that the public performance won't go wrong.

A new philosophy is developing. Europe cannot go on under the Versailles structure. Germany is most conscious of this. France, despite the egotistic policies which the recent Tardieu government preached to the end, has gradually been accumulating tolerance and liberality. It is probable that the Versailles setup must be revised if collapse is to be averted in Europe, or that the collapse of economic Europe will force the breakdown of the artificial Versailles setup.

World Prepares for Defaults

World business has had a long time to prepare for the shock. Trouble will break first in Central Europe, probably followed by a moratorium on commercial obligations in Germany. Holland and Switzerland have placed themselves in a liquid position in an attempt to prepare for it. France is bracing herself, her business structure. So is Britain. Perhaps they can withstand the shock.

Europe views the expansion of credit in the United States as the most successful way of preparing for an emergency —and is inclined to believe the country can weather the storm, though not a few skeptics have small trouble in rousing fresh apprehension on the slightest provocation.

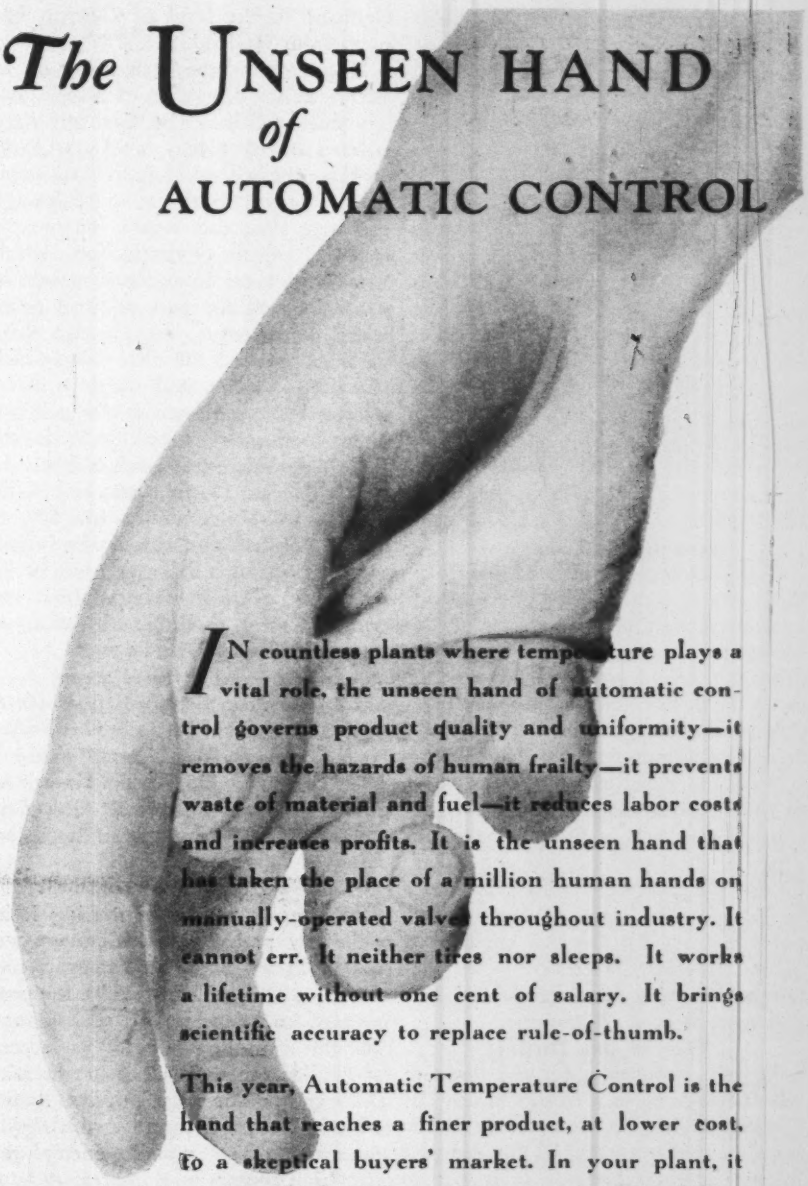
Germany

Political situation has cleared with dissolution of Reichstag and prospect of elections in July. . . . Interim government promises not to tamper with currency. . . . Industrial production down and unemployment more serious as relief funds disappear. . . . Increasing prospect of commercial debts moratorium.

BERLIN (*Cable*)—Business this week recovered from its first shock following the change of government. It is becoming increasingly evident in Berlin that the Von Papen government is intended only as an interim government and that in the Reichstag elections at the end of July the Hitlerites are likely to win a clear majority which will put them in power.

The Bourse reacted favorably during the week when the new government declared it had no plans for attempting inflation and that no new monetary policies would be tried. The flight of

The UNSEEN HAND *of* AUTOMATIC CONTROL



IN countless plants where temperature plays a vital role, the unseen hand of automatic control governs product quality and uniformity—it removes the hazards of human frailty—it prevents waste of material and fuel—it reduces labor costs and increases profits. It is the unseen hand that has taken the place of a million human hands on manually-operated valves throughout industry. It cannot err. It neither tires nor sleeps. It works a lifetime without one cent of salary. It brings scientific accuracy to replace rule-of-thumb.

This year, Automatic Temperature Control is the hand that reaches a finer product, at lower cost, to a skeptical buyers' market. In your plant, it may mark the difference between profit and loss. Is this not reason enough to investigate?

The Fulton Sylphon Company, with a staff of engineers dedicated to the art of temperature control, would appreciate an opportunity to make a survey of the benefits this unseen hand would bring to your plant. Their recommendations will cost you nothing. They may save you much. It will pay you to write now.

FULTON *Sylphon* FOR TEMPERATURE CONTROL

FULTON SYLPHON CO.
KNOXVILLE, TENN., U.S.A.

European Representatives, Crosby Valve and Eng. Co., Ltd., 41-2 Foley St., London, W. 1, Eng.; Canadian Representatives, Darling Bros., Ltd., 140 Prince St., Montreal, Quebec, Canada

Representatives in All Principal Cities in U. S. A.

money from bonds to shares, which followed the first news of the fall of Chancellor Bruening, has been stopped. The downward trend of industrial production has not changed. Prices generally are lower. Export trade diminishes as restrictions mount and depression spreads. Unemployment is down only slightly. Relief, particularly in cities, is increasingly difficult as funds are depleted. The change of government removes the possibility of 2 Bruening plans being enacted to affect the unemployed: large estates of bankrupt landlords will not be parcelled out to the unemployed, and veteran pensions are not likely to be reduced despite the drain on the national treasury. Railroad earnings are 27% below the figure for 1931.

Germany at Lausanne

Germans are not hopeful that anything can be accomplished at Lausanne. In fact, it will be no surprise if the conference is called off. Von Papen, dependent on no party and not needing to report to the Reichstag, is in a position to bargain perhaps more liberally than Bruening could have done.

With the April export surplus down to $11 millions and exports steadily declining, Germany is finding herself in a pinch. It is perfectly evident to Berlin that the great fight behind the scenes in Europe now is to salvage what is possible from the German commercial debts. Internally, Germany is still determined to meet these commercial obligations if it is at all possible.

Five Butter Duties

Largely responsible for the situation which has come to a climax in the last few weeks in the export trade is the hopeless medley created by the increased import duty on butter. It is not so much the increased duty itself as the discrimination against individual countries in the 5 different rates. Feeling in each of the countries affected is running high. In Germany, industrialists, now dependent pretty much on foreign orders, are demanding that the government be more careful in its protection of the farmer.

The butter problem is just one example of the troubles which emergency tariffs and quotas are bringing up. Foreign exchange regulations are as exasperating. Holland and Italy have particularly voiced their resentment, and both are good customers of the Reich so their complaints have been noted. The Dutch government has demanded that the German foreign exchange regulations be relaxed under threat that Holland will reduce purchases from Germany to the level of German imports from Holland.

Negotiations have been going on in Berlin with a delegation of Dutch government officials. The Germans have pointed out that they were unable to consider the wishes of individual countries in regard to allocation of foreign exchange since this would unavoidably lead to open discrimination which would, in turn, immediately result in retaliations on the part of third countries. Furthermore, the German delegates emphasized the alternative which Germany is facing and which is determining her entire commercial policy—either to throttle imports or to discontinue the servicing of foreign debts. In this latter case Dutch banks and bondholders would be among the first to suffer. Negotiations were finally broken off and the Dutch delegation left Berlin openly threatening to introduce a system of foreign exchange regulations to apply only to German imports.

Denmark Retaliates

In Denmark, the situation as far as German exports are concerned is no less serious. Denmark is hit more than any other country by the German butter duty and a regular movement to "Buy British Goods" is developing as a retaliatory measure.

These are only a few of the recent developments which are making it increasingly probable that Germany will not much longer be able to meet payments on foreign loans. With the prospect of complete failure at Lausanne, and the dwindling hope of any success at London, no way out of the situation is in view. The spread of this knowledge in Germany, together with rapidly intensifying distress of the unemployed, is behind rumors of a military dictatorship, and grumblings in the southern states where a separatist movement is even being discussed.

France

Momentary improvement in French business. . . . Unemployment declines. . . . Few hopes placed in pending conferences.

PARIS (*Wireless*)—The economic trend in France is momentarily slightly better. Unemployment has declined slightly. Rail receipts are again up. Consumer industries show some improvement, though this is more than counterbalanced by further depression in the metallurgical industries. The country is deeply concerned over the steel tariff in Britain which is far and away the largest outlet for French steel products.

There is uneasiness, but no hysteria, over developments in Germany, continued skepticism regarding the United States, and little expectation of any benefits from Lausanne or from the economic conference at London if debts are to be excluded from the agenda.

Business throughout the country approves the new Herriot liberal cabinet and the policies it has pledged itself to follow. The fiscal setup will be watched carefully. No change of present policy is likely until a complete financial inventory has been taken.

Great Britain

London turning pessimistic. . . . Business failures unsettle trade. . . . Unemployment up.

LONDON (*Cable*)—London is gripped with increasing pessimism this week. Only the wan hope that the projected London conference can do something to raise prices offers encouragement.

Local factors had as much to do with the fresh uneasiness as the increasing economic chaos elsewhere. The failure of Lazarus & Sons, important metal dealers, upset the market. The suspension was announced on the London Metal Exchange. Lazarus & Sons was one of the oldest firms on the Exchange and was said to have been heavily committed in tin.

Unemployment rose 89,000 in May, though a part of the increase was due to the holiday stoppages. In the cotton industry where there has been the threat of a strike for some time, developments are conflicting. A ballot among the workers shows a majority in favor of a strike as against no strike, but also a majority in favor of first carrying on further negotiations with the owners.

Actual conditions in Britain are less rosy than the average Britisher is willing to admit. The London *Economist* recently summarized the situation neatly: "There is some evidence that the general tone is less hopeful than it was earlier in the spring. The budget undoubtedly had a deadening effect, particularly upon heavy manufactures as opposed to articles for immediate consumption.

"Tariff changes have exercised an unsettling influence. In some cases the final duties were lower than the Abnormal duties; in others, new duties have so far not provided a stimulus to home production.

"The result is that at the moment

British industry is experiencing just the same seasonal lull it used to experience every May and early June during the years of relative prosperity that ended in 1929."

Latin America

Latest political upset in Chile brings threat of Socialist Republic. . . . Foreign exchange restrictions likely to be tightened in Argentina.

No development in Latin America in recent months has created more of a stir in the business world than the latest political upset in Chile.

Americans watching the situation in Santiago first hand are not surprised that popular opposition has brought about the overthrow of the Montero government. Chile is faced with a serious economic crisis. In Latin America this more often leads to the overthrow of a government which cannot improve conditions than is the case in some northern countries. But that the country should turn completely socialistic is a surprise to most observers. Not even the long record of liberal labor legislation which has come out of Santiago had led business men to expect such a sudden shift to socialism.

It is too early to know whether the shift is permanent, and if it is, how far the new government can carry its radical policies. Just now there is little that foreign companies operating in Chile can do but sit tight and hope they will be able to liquidate later or to operate without government control. Because revolutions in Latin America are often nothing but the popular way of asking a government to get out and allow another a chance to function, and because they often have little effect on current business, the world is reserving its judgment of the present affair until more details are known (page 20). Americans have over $700 millions invested in Chile. Heaviest industrial investments are in copper and nitrate.

American Exporters Warned

Exporters in the United States have been warned that, even in the Argentine, foreign exchange restrictions are beginning to tighten. The government has recently authorized new regulations which will make the decreasing volume of foreign exchange available first to cover imports of government requirements, and second to cover necessities. Luxuries are likely soon to be under a virtual embargo unless firms are willing to run the risk of delayed payment.

Far East

Japan worried over demands of farmers for relief. . . . Sale of surplus silk to Americans cancelled. . . . French bankers offer loan to Manchuria. . . . Chinese conditions little changed.

BUSINESS prospects in the Far East have not brightened during the week, though Chinese sentiment is less heavy now that most of the Japanese troops are out of Shanghai.

The most important development in Japan was the cancellation of the agreement of the Tokyo government to sell its stock of indemnified silk to the Gerli interests in the United States. Since the sale was announced several weeks ago, the price of silk has declined sharply due to the fear that disposal of the silk on world markets would further decrease the demand for Japan's new crop. Now, 98,000 bales have been bought back by the Japanese government and Tokyo officials have announced that they will dispose of it "for some new use." Rumors have it that the government will utilize it with some other material, probably wool, in making uniforms for the army and navy. At any rate, silk prices are again steadier.

Japanese Farmers Desperate

The Diet is still in special session and faced with the necessity of coming to an agreement on some form of relief for the farmers. It is likely that the government will declare a moratorium for 3 years on agricultural loans and mortgages. Even now debts are not being collected, rents are not being paid, banks are giving creditors every indulgence, taxes are not being collected or even asked for, and children are being furnished meals in the schools at public expense.

Tokyo's financial district is stirred by the report that a group of French bankers are interested in making a loan of several million francs to the new Manchurian government. It is known that the French are interested primarily because a good deal of French money is invested in the Chinese Eastern Railroad which has been controlled jointly by the Russians and Chinese. It is entirely possible that the move is being made in an attempt to force Russian and Manchurian recognition of responsibilities in the line and to start work on repairing the road for regular traffic again. Japan so far has refused to guarantee the loan except in the unofficial manner in which it backs the new government in Manchuria.

STEADY hands for Unsteady Business

Are your hands *steady* under the stress of these days—when you need control most? Your hands—even more than your face—reflect worry and strain.

How often you have heard men gloss over the explanation of an unsteady hand by attributing it to over-indulgence in smoking.

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The Figures of the Week And What They Mean

The gradual expansion of construction activity under the influence of public works programs has not been sufficient to offset the recession in steel, coal, electric power and check payments. . . . Residential building continues to shrink in volume, but non-residential buildings showed a sharp improvement in May. . . . Federal building projects are swelling orders for structural steel. . . . Ford expansion can be made from his own steel mills, while the contraction of schedules of other motor manufacturers is reflected in the decline of steel operations. . . . Carloadings and currency circulation increases were due to holiday influences.

THE weekly estimates of steel operations during the month of May appear to have been too optimistic. Official figures of the American Iron and Steel Institute indicate a further decline for the month to 20% of capacity, yielding a tonnage of little more than 1.1 million tons. Only July, 1921, can report a lower tonnage in recent years. The first 5 months of 1932 saw steel ingot tonnage at 6.7 million tons, nearly a 50% decline from the 13.2 million tons of the same period of 1931.

The story of pig iron production in May is similar. The daily average production of 25,276 tons is the lowest for any month since 1897. The decline from April is practically the same as for steel, equal to 11%. Active blast furnaces now number but 54 out of 297, according to *Steel*.

Activity during the first week of June was partially influenced by the Decoration Day holiday, although this day is not considered a steel holiday. Operations reported by the *Iron Age* declined from 23% to 20% of capacity, which when adjusted for seasonal and long time growth factors, lowered the index to 31% of normal compared with 34% the preceding week. Blame for the sluggish situation in steel is laid by trade papers on the seasonal falling off of bookings and to Congressional bickering over the tax bill. Pittsburgh is operating at 15% of capacity, and contraction is apparent at Cleveland, Youngstown, Buffalo and Birmingham. Wheeling and Detroit offer the chief contrasts. The operating rate at the latter remains at 81% of capacity, due to Ford influence.

Automobile Production

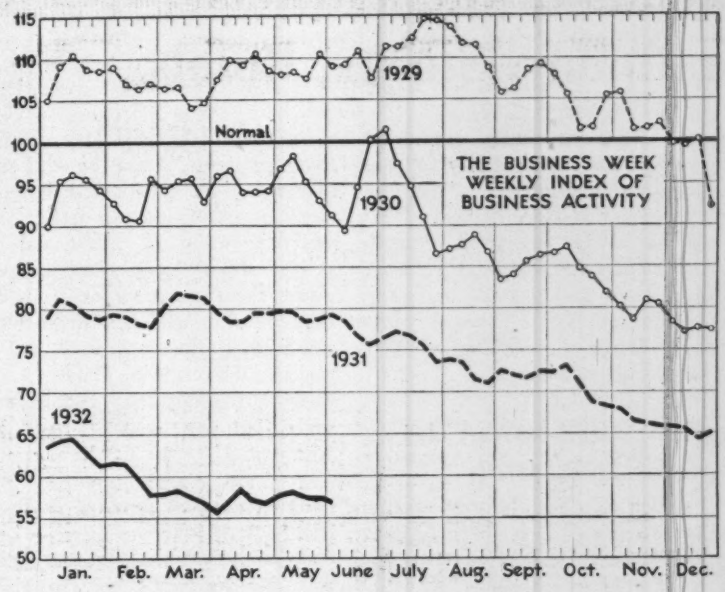
Motor requirements appear to be definitely declining with the exception of Ford. But Ford is filling his needs from his own steel plant and drawing upon parts which have been assembled in the past. Other motor manufacturers have curtailed production. Output of motor vehicles in May is estimated by the National Automobile Chamber of Commerce at 185,970 cars and trucks against 154,823 in April, a gain of 20%. June is estimated by trade papers in the neighborhood of 210,000, of which Ford is expected to contribute 110,000. Registration figures for Wayne County indicate a substantial comeback for Ford, since more than 50% of the cars registered in May were Fords, and about half of these

THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	*Latest Week*	*Preceding Week*	*Year Ago*	*Five-Year Average (1927-1931)*
	*56.5	†57.3	79.2	.....
PRODUCTION				
Steel Ingot Operation (% of capacity)	20	23	39	71
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$5,220	$5,095	$12,534	$19,982
Bituminous Coal (daily average, 1,000 tons)	*708	†716	1,200	1,393
Electric Power (millions K.W.H.)	1,381	1,425	1,594	1,519
TRADE				
Total Carloadings (daily average, 1,000 cars)	87	86	129	160
Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars)	63	62	87	104
Check Payments (outside N. Y. City, millions)	$2,745	$2,680	$4,615	$5,068
Money in Circulation (daily average, millions)	$5,477	$5,439	$4,694	$4,697
PRICES (*Average for the Week*)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.53	$.57	$.73	$1.15
Cotton (middling, New York, lb.)	$.052	$.054	$.085	$.161
Iron and Steel (STEEL composite, ton)	$29.56	$29.57	$31.03	$34.76
Copper (electrolytic, f.o.b. refinery, lb.)	$.051	$.051	$.080	$.131
All Commodities (Fisher's Index, 1926=100)	60.2	60.2	70.0	88.8
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)	$2,177	$2,034	$933	$1,180
Total Loans and Investments, Federal Reserve reporting member banks (millions)	$19,016	$18,994	$22,537	$22,040
Commercial Loans, Federal Reserve reporting member banks (millions)	$6,724	$6,678	$7,863	$8,587
Security Loans, Federal Reserve reporting member banks (millions)	$4,907	$4,910	$6,867	$7,193
Brokers' Loans, N. Y. Federal Reserve reporting member banks (millions)	$409	$393	$1,539	$3,710
Stock Prices (average 100 stocks, Herald-Tribune)	$76.62	$76.93	$117.24	$152.20
Bond Prices (Dow, Jones, average 40 bonds)	$69.86	$67.25	$94.43	$95.71
Interest Rates—Call Loans (daily average, renewal)	2.5%	2.5%	1.5%	4.4%
Interest Rates—Prime Commercial Paper (4-6 months)	2¾-3%	2¾-3%	2-2½%	4.1%
Business Failures (Dun, number)	554	708	454	392

*Preliminary †Revised

The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures —steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.



were V-8s. Since Ford cars were available first in Wayne County, these figures probably overstate the proportion of Fords registered for the country as a whole. The recent slash of Auburn prices on 8 and 12 cylinder models places the former in close competition with the big 3 in the low price field.

Structural Steel

Structural steel demand remains a bright spot, chiefly under the influence of public building programs in Washington. Lettings of the past week were the largest since last October. Railroads are buying steel for bridge and viaduct purposes, but equipment buying remains at a low level. Steel reports 60 freight cars awarded in May against none in April, but the cumulated total to date is only 359 against 4,134 in 1931 and 31,606 in 1930.

The steady increase since January of the volume of public works and utility awards has enabled total contract values to show a similar continuous increase from $84.8 millions in January to $146.2 millions in May. The adjusted index for the week ending May 27 rose to 29% of normal compared with 26% the preceding week.

Expectations that May contracts would follow the usual trend of former years and decline were pleasantly upset by the report of a 20% increase over April. The spread from a year ago has been reduced to 52%.

Non-residential building awards made a strong advance over the preceding month. Contracts valued at $589 millions were let, equal to a 35% rise in the daily average over April. Public works and utility awards ran up a total of $61.7 millions, which on a daily basis represents a 36% gain over April, but a 43% decline from a year ago.

Residential building alone turned downward for the second consecutive month after having reached a modest peak of $33 millions in March. The present volume totals $25.6 millions which is 8% below the April daily average and 71% below a year ago.

Bituminous coal production during the week of May 28 showed a further slight recession from preceding weeks, but anthracite output made a 3% gain. The adjusted index of bituminous declined one point to 38% of normal.

Electric Power

Electric power production during the holiday week of June 4 showed about the usual amount of decline. The adjusted index declined slightly to 70% of normal.

Carloadings turned slightly upward in the week preceding the holiday week, which appears to be a customary phenomenon. Grain, coal, and miscellaneous freight made the chief gains, while most other classes of freight lost ground. The adjusted index based on the 2 classes representing largely manufactured goods records no change, but remains at 54% of normal.

The volume of check payments in leading cities during the week ending June 1 showed a gain, due chiefly to a 25% rise in New York city and a 5% rise in 9 other important financial centers. Cities outside of these centers report a slight decline in checks from the preceding week. The adjusted index based on the 140 cities outside of New York declined from 63% to 61% of normal. A decline of check payments from a year ago which averages 45% for the past few months is an important indicator of the severe contraction in the velocity of money.

Currency in Circulation

The daily average volume of currency in circulation for the week ending June 4 increased $39 millions, reflecting the month-end and holiday demands for cash. The adjusted index rose slightly to 49% above normal.

Commercial loans as of June 1 showed an increase of $46 millions, of which $45 millions took place in the New York district. The expansion of loans may be more apparent than real, for much of the rise can be laid to the taking over of bills formerly held by foreign central banks. The adjusted index remains at 8% above normal.

Commodity prices continue to show irregular trends. Improved crop prospects weakened the grain markets. Cotton prices were irregular. Wool lost ground and silk gained. Cocoa, sugar, and cattle prices steadied, but hides, coffee, hogs and rubber were weak.

The failure of an important tin firm in England depressed tin prices. The tariff on copper imports steadied copper. Lead was steady, silver irregular, and zinc lower.

Trends of the Markets In Money, Stocks, Bonds

Slight signs of bank credit expansion appear as bond-buying pool prepares market support. . . . Gold exports continue in spite of budget-balancing, but dollar exchange strengthens. . . . Bonds and stocks rise sharply in response to prospects of bank support, but await better business stimulus and passing of political uncertainties here and abroad.

Bank Credit Shows First Signs of Expansion

THE outset of June brought further evidence of a check to bank credit deflation and some faint first signs of slow but still feeble expansion. Although end-of-May transactions confused the latest bank statements somewhat, they are nevertheless reassuring. Federal Reserve government security purchases relapsed to the $50-million level, about half the rate maintained during April and early May, but still twice that with which the Reserve authorities started their expansion program in March.

The outflow of gold was heavy as the month ended, and a sharp seasonal increase of currency in circulation occurred over Memorial Day. These factors put some strain on the member banks over the month end, but did not much affect the money market, or prevent expansion of loans and investments. New York City banks drew down their excess reserves, and their deposits declined, but they showed a rise of $52 millions in loans and investments. The outside banks increased their borrowings from the Federal Reserve, but their reserves and deposits rose.

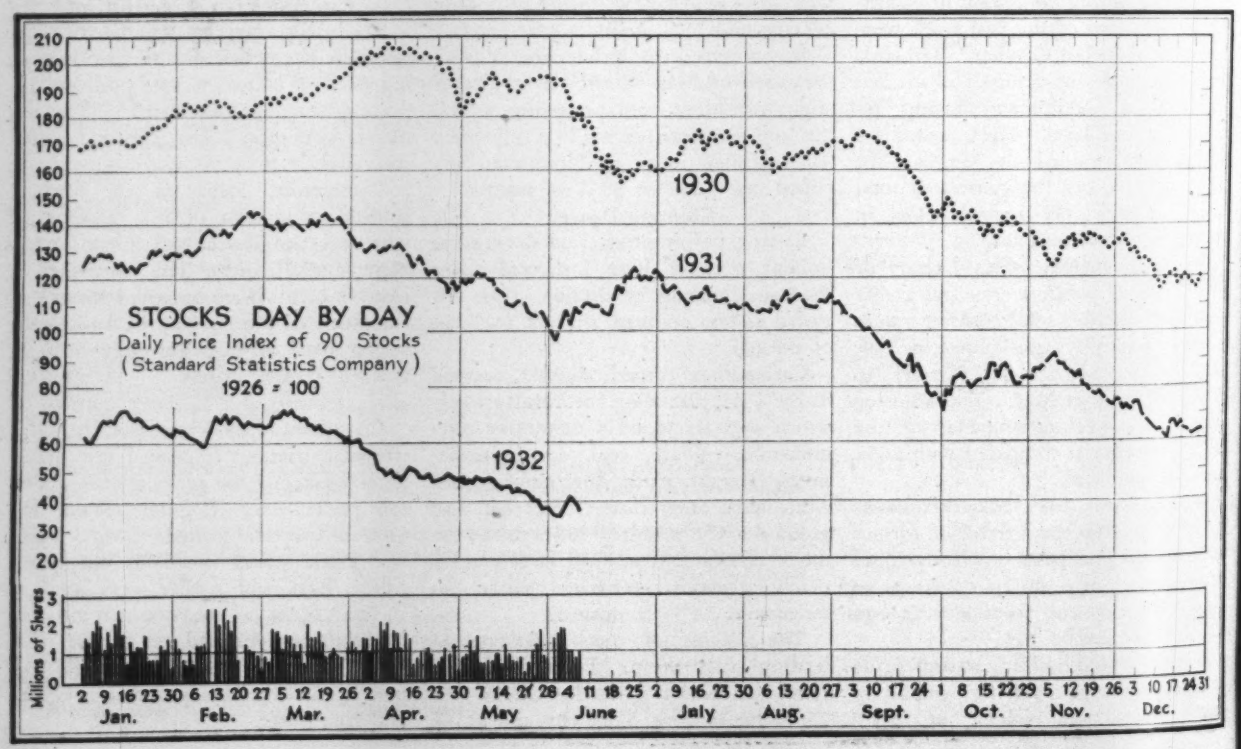
For all weekly reporting member banks the most significant change in the last week of May was a rise of commercial loans by $43 millions, the first such increase since last November. It probably represents taking over bills held by foreign central banks, who sold them to secure gold for export. A further increase in investment in other than government securities is also encouraging. Since Mar. 9 the member banks have added nearly $200 millions to their holdings of non-government securities.

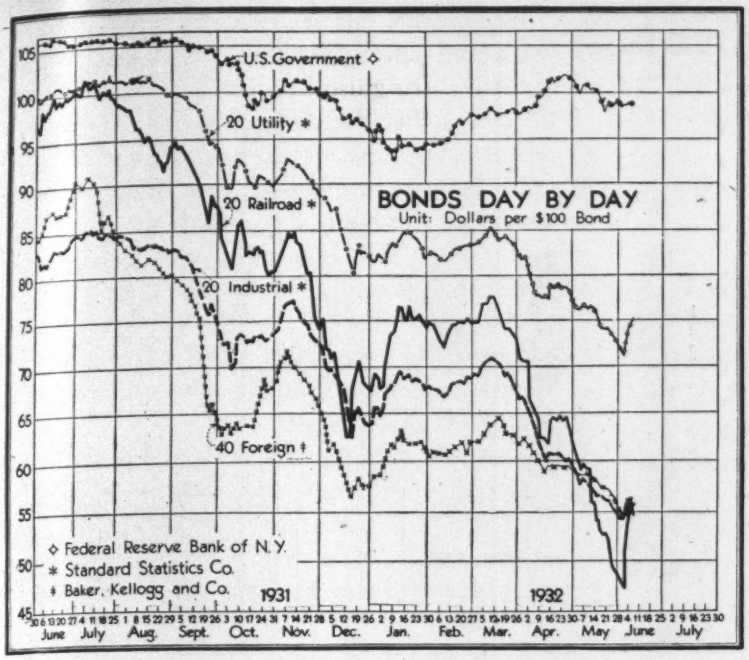
The rapid outflow of gold during the past month has been the most important development in the money market and banking picture. During the first week of June about $150 millions in gold was exported or earmarked for withdrawal, and with the outflow up to the end of May brings the exports so far this year to nearly half a billion. This gold movement is partly due to withdrawals by foreign banks which have definitely determined to cash in their foreign exchange reserves and bring them home to strengthen their gold reserve position because of the possibility of European political disturbances. It represents also some increased private export of gold for hoarding or safe-keeping purposes, or for profit.

Gold exports have continued so far this month in spite of the passage of the tax bill and the assurance of an ostensibly balanced budget. Dollar exchanges strengthend sharply on June 7, but weakened later.

Stock Market Proves Difficult to Budge

ALMOST to a day on the anniversary of the Hoover moratorium boom last year, the stock market responded with a sharp rally to the sensational rise in bond prices on announcement of formation of the bond pool, then softened and began to sag again in light trading, awaiting further stimulus, so far not forthcoming.





Thus far this year the parallelism of stock prices with the course of the market last year has been uncanny, but the level is much lower and the elasticity of response to news stimulus is much less. A striking example is the rather lackadaisical acceptance of hopeful developments in the anti-prohibition field, marked by the Rockefeller announcement on behalf of repeal.

The passage of the tax bill and the balancing of the budget have not served to stimulate the market much. Some legislative uncertainties will remain till Congress rushes off to Chicago, and what is probably more important, anxiety over the European political situation centered in Lausanne and the German elections will hang over the market during the next two months.

Bonds Respond Quickly To Pool and Tax News

BOND prices showed the sharpest rise on record in the first few days of June, and then softened somewhat. The upturn in the Dow-Jones averages of 40 corporation bonds amounted to over 5 points in three market sessions, and wiped out about half of the decline during May. The rise was most marked in the second grade rails, and least in the utilities. Industrials responded moderately, and the foreign list was steady.

The stimulus came from coincident passage of the tax bill and announcement of the formation of the anticipated bond pool by 18 of the biggest New York banks. It takes the form of a separate organization, incorporated under New York laws as the American Securities Investing Corp., with nominal capital stock, headed by Thomas Lamont. Investment banking houses and institutions in other Reserve districts will participate in subscriptions to its debentures. The initial subscription was set at $100 millions, with three times as much said to be pledged. The resources of the participating institutions is over $10 billions, or about 15% of the country's banking resources.

Not Much Money Needed

Its ostensible purpose is profitable investment by picking up security bargains—not merely bonds but stocks as well; but its main immediate objective is obviously to support the bond market, in response to pleas from the Administration. The market has been worn pretty thin in recent weeks and not much money will have to be used to stabilize it unless foreign liquidation should become heavy. One helpful result may be to hasten or assist closed bank liquidation, the New York banks thus in effect buying back at bargain prices the bonds they sold during the boom to out of town institutions which have since come to grief. The crucial test of its constructive possibilities will be in the question whether it can restore confidence and create a sound bond market by bringing the individual investor back into the picture.

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THE BUSINESS WEEK

The Journal of Business News and Interpretation

June 15, 1932

Well, That's That

WE are sure the country will see the new revenue measure signed with a sigh of relief, even though it may be accompanied by some misgiving as the time for payment approaches. It is difficult, if not impossible, to balance a national budget during a period of depression and declining price levels, because tax resources usually dwindle faster than any fiscal forecast can allow for. But we can content ourselves with the consciousness that we have compromised every progressive principle of taxation to meet the real or imagined emergency and submitted ourselves reasonably promptly to drastic sacrifice for the sake of fiscal rectitude.

The Congressional record of economy in expenditures is not so satisfying to our Puritan instincts, but it is certain that no other country can exhibit an example of fiscal self-flagellation quite comparable with the billion dollar tax increase in the new bill. We surely deserve their respect and confidence for it, and hope that they will show it by lifting the dollar-exchange a bit by way of salute, and letting us keep their gold a little longer. Otherwise there would be little use in all this anxiety we have suffered and all the agony we still have to endure to make our orthodox dreams of a permanent 150-cent dollar come true. Whether these other countries, so critical of our fiscal lapses, will be able or willing to pay their dollar debts to us in 150-cent dollars, or even be able actually to balance their own budgets on that basis, remains to be seen, and will remain a long time.

As regards the domestic aspects of this piece of penance we can speak with more surety. It contains some manifest and unforgivable iniquities such as tariff provisions put into the bill in a playful spirit of pillage during an earthquake. Otherwise its evils are largely errors of economic insight or equity excusable in the atmosphere of emergency.

Its arbitrary special excises evidence the outworn and untenable assumption that someone can still distinguish between luxuries and necessities and that the distinction is of any significance to business. Its income tax increases fall with savage severity on the small incomes, which are the bulk of the consumer purchasing power upon which business recovery depends, and at the same time offer to the higher incomes such an incentive to seek tax exempt securities that renewed investment in private enterprise—the only other possible stimulus to business recovery—is discouraged.

According to the official estimates of yield, the bulk of the new tax collections will fall directly on consumption, but in these days of commercial suicide, when every one is scrambling for business at any price, it is doubtful how much of this burden marginal concerns will not be forced to bear themselves or at least share with the consumer. In the end it is probable that the big end of the job of balancing the budget by this new tax bill and the accompanying economy measure will fall on the frail shoulders of the small business man and the moderate salaried worker.

When these aspects are considered it becomes the more astonishing that some of our passionate legislators should have thought, or pretended to think, that they were protecting the poor from exploitation when they rejected the manufacturers' excise tax for this hodge-podge. By comparison, a general turnover stamp tax on every business transaction would be a paragon of fiscal efficiency and justice. But there never has been a perfect tax bill, and nobody expected this session of Congress to produce one.

A cynical French finance minister once said: "Taxation is the science of plucking the goose with the least squawk." Still, one should always be careful about killing the goose.

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